Daily Report

Central Eurasia

FBIS-SOV-95-129
Thursday
6 July 1995

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Central Eurasia

FBIS-SOV-95-129 *6 July 1995*

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Further on Baltic-Nordic Ministers' Meeting
Baltics Membership in EU Discussed

LD0107222695 Tallinn Radio Tallinn Network in Estonian 1700 GMT 1 Jul 95

[FBIS Translated Text] The so-called three-plus-five meeting took place in Vilnius today. This was the third meeting between the prime ministers of the three Baltic states and the five Nordic countries, but the first on the territory of a Baltic state. Maarika Saarna-Siimann, government press representative, reports. We apologize for the quality of the telephone line.

[Begin Saarna-Siimann recording] The meeting discussed issues today that have appeared on the agenda following the Cannes summit and the signing of EU association agreements with the Baltic states.

Today's meeting recalled that the Cannes summit had given a clear sign that the Baltic states were seen as becoming full EU members in the future. Nobody was able to tell, however, when the negotiations on the full membership of the Baltic states could begin: There are 11 states queueing for full EU membership, and the EU itself has to decide how to deal with new members.

The meeting emphasized that the Baltic states must be active themselves and begin to harmonize their legislation with that of the European Union. It was noted that although the Baltic states had been very successful at economic reforms, harmonizing legislation with the EU is a large and complex task.

The Baltic states were invited to actively submit projects that could attract funds from the European Union. As we recall, 6.7 billion Ecu was allocated at the Cannes summit to support Eastern and Central Europe and the Mediterranean area, including the Baltic states.

The Nordic countries emphasized that they will continue to support the Baltic states and give them all possible support in the form of expertise and at negotiations with other EU partners in order to speed up the Baltic states gaining full EU membership.

Estonian Prime Minister Tiit Vahi said that Estonia wished to join the EU as soon as possible and Estonia had worked hard toward this. Vahi noted that the new Estonian Government had also set up the European affairs minister's office, and European Affairs Minister Endel Lippmaa had began serious work harmonizing Estonia's legislation with that of the European Union.

The meeting today also gave an important place to security issues. There was general agreement that the eastern border of the Baltic states must be strengthened. At the same time, one should have good-neighborly relations with Russia and involve Russia in regional cooperation projects.

The next summit of the Baltic Sea states is to take place in Visby on the Swedish island of Gotland in 1996. This meeting will be attended by prime ministers of the Nordic countries, Baltic states, and other members of the Council of the Baltic Sea States. [end recording]

Lithuania's Slezevicius Cited

LD0307180595 Moscow INTERFAX in English 1754 GMT 3 Jul 95

[From the "Presidential Bulletin" feature: Compiled by Nikolay Zherebtsov, Andrey Petrovskiy, edited by Vladimir Shishlin]

[FBIS Transcribed Text] Vilnius, 3 Jul (INTERFAX) — The first meeting of Nordic and Baltic prime ministers was held in Vilnius Saturday [1 July].

It was attended by Latvia's Maris Gailis, Estonia's Tiit Vahi, Lithuania's Adolfas Slezevicius, Denmark's Nirup Rasmussen, Iceland's David Odsson, Norway's Gru Harlem Brundtland, Finland's Paavo Lipponen and the Swedish Justice Minister Laila Freivalds.

Slezevicius told Interfax that the three Baltic prime ministers had worked out a joint position for the meeting. Integration of the Baltic countries in the European Union and regional security topped the agenda, relations with Russia being given special attention. IF Note: Before the five plus three meeting took place, the three Baltic prime ministers had met in Vilnius. In addition to agreeing on a joint program of developing the relations with the northern neighbors, the three men signed a trilateral inter-governmental treaty on return of illegal immigrants and a statement on Lithuania taking over the chairmanship of the Baltic Council of Ministers from Latvia.

They also discussed the setting up of a customs union, trade in farm products, joint protection of state borders and control of the air space.

Slezevicius described the Vilnius meeting as an important event which will contribute to development of relations between the Baltic and Nordic countries and Lithuania's, Latvia's and Estonia's integration in the European Union and other European political, economic and defense organizations.

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He also said that Rasmussen, who presides over the Council of Ministers of the Nordic countries, had called during the meeting for developing a strategy of expanding regional cooperation, in particular with Russia. The participants of the meeting also called for expanding good neighborly relations with Russia.

The next meeting of this kind will be held in Visby, island of Gotland, Sweden, next May. The Russian and Polish prime ministers will be invited to attend.

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ITAR-TASS Carries Press Review for 6 Jul

LD0607060195 Moscow ITAR-TASS in English 0521 GMT 6 Jul 95

["Press Review" — ITAR-TASS headline]

[FBIS Transcribed Text] MOSCOW July 6 (ITAR-TASS) — Today's Moscow-based newspapers highlight a joint statement issued by the Government and the Central Bank of Russia on fixing the limits for fluctuations of the exchange rate of the rouble at the stock market and the interbank currency exchange within 4,300 to 4,900 roubles per U.S. dollar until October 1.

IZVESTIYA states that the announcement can be regarded as sensational without exaggeration. The statement turned out to be unexpected to many. There is every indication that the Government and the Central Bank continue their unsuccessful attempts to put down inflation and stabilise the rouble.

ROSSIYSKIYE VESTI is of the opinion the government and the Central Bank of Russia will go ahead with their policy course towards restricting money supply and accumulating currency reserves. The policy has already resulted in an appreciable strengthening of the national currency. To offset the budget deficit, the government promises not to resort to the use of money-printing presses any longer but to use non-emission financing, as has been emphasised in the Russian President's Budget Message. It is a question of every kind of borrowings on the domestic and foreign markets.

PRAVDA carries an interview with Nikolay Savelov, a spokesman for the faction of the Communist Party of the Russian Federation in the State Duma.

Savelov believes that old idea of Presidential experts to raise the rate of the rouble artificially is being realised. His opinion is that the most apparent consequence of such an action will be a decline in the profitability of export-import operations. No favourable changes in the field of production, inflationary situations, and mutual debts are foreseen. The currency cash market will finally transfer to the "black market" sector. The effectiveness of inputs at currency accounts will diminish and, consequently, that of keeping currency stashed away at home will grow.

TRUD believes that "a covert monetary reform has begun in Russia under the guise of fight against the dollar."

IZVESTIYA carries an article about a meeting between Prime Minister Viktor Chernomyrdin and members of the Russian government delegation at the Chechnya peace talks, who informed him of the course of the negotiating process.

"Members of the Russian delegation at the talks in Grozny believe that it is impossible to get to terms with Dudayev," the article says.

The talks which have been going on for more than one month between the two warring sides have not, actually, got moving. Following a visit by Russian Deputy Chief Negotiator Arkadiy Volskiy to Dzhokhar Dudayev, it became clear that it is practically impossible to reach agreement with him.

"In this situation, it becomes increasingly acceptable for the Russian delegation to try to get to terms with the present representatives of Dzhokhar Dudayev in cicumvention of the latter."

IZVESTIYA reports that "President Lukashenka has suspended the withdrawal of Russian strategic forces from Belarus." Relations between the republic's Defence Ministry and Russian Strategic Missile Forces have become aggravated. The Belarusian military have unilaterally ceased issuing permits for the removal of missile weapons and combat hardware from the territory of the republic and do not let Russian trains into the country to carry away the last mobile launchers RS-12M Topol, or the SS-25, as they are referred to in the West.

KOMSOMOLSKAYA PRAVDA takes a critical view of the appointment of the former Interior Minister Viktor Yerin as Deputy Director of the Foreign Intelligence Service (FIS). The newspaper quotes Yuri Kobaladze, Chief of the FIS Public and Media Relations Bureau, as saying that Yerin "will deal with those problems which correspond to his professional grounding and experience. What I mean is not, of course, intelligence activity proper."

SOVETSKAYA ROSSIYA runs a summary of the Resolution of the 30th Congress of the Union of Communist Parties — CPSU, which was held in Moscow on July 1-2, 1995.

IZVESTIYA on the re-election of John Major as the leader of the British Conservative Party.

The newspaper's London correspondent writes that Mr. Major's rival John Redwood was viewed as an eccentric rather than a reputable politician capable of leading both the party and the country to successes. The Premier has already set about a thorough reshuffle of his Cabinet, selecting loyal people to key positions. To begin with, Britain loses Douglas Hurd as Foreign Secretary.

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Kozyrev Addresses Ambassadors to CIS Countries

Discusses Country's Foreign Policy

LD0607095795 Moscow ITAR-TASS in English 0846 GMT 6 Jul 95

[By Dmitriy Gorokhov and Yuriy Kozlov]

[FBIS Transcribed Text] MOSCOW, July 6 (Itar-Tass) — The Commonwealth of Independent States (CIS) is an important instrument of maintaining stability in the post-Soviet expanse and thus contributes consistently to the consolidation of regional and global security. Russian Foreign Minister Andrey Kozyrev said this at a meeting of Russian ambassadors to CIS countries that opened here on Thursday. Kozyrev said it is necessary to emphasise this role of the Commonwealth and to ensure that it is mentioned in all documents of international forums.

The peacemaking activity of the CIS spreads, specifically, to Nagorno-Karabakh, to the zone of the Georgian-Abkhazian conflict and to Tajikistan, Kozyrev said. He said the world community, including the United Nations and OSCE, should share the considerable load borne by the Commonwealth in settling regional conflicts.

There must be no room for double standards in the area of peacemaking as sovereign states, United Nation's members, are concerned, the minister said. As a result of persistent efforts of Russian diplomats the Security Council registered a few days ago the collective appeal of CIS countries for launching a full-scale operation of the United Nations in Tajikistan, Kozyrev said.

Interaction of independent states in peacemaking and in the military-political area should be ensured by collective security system of the CIS, the minister said. "It is not meant to form a closed block opposed to the rest of the world, but a mechanism that will be playing the stabilising role" in the huge expanse in the former USSR, Kozyrev said.

The minister said that the development of equal relations of partners and of mutually advantageous cooperation with countries of the CIS is the priority trend of Russian foreign policy.

It is the second time that a conference of Russian ambassadors to Commonwealth countries is held by the Russian Foreign Ministry with the participation of representatives of other ministries and agencies concerned. The debates have a working character and are held behind closed doors. Such meetings are planned to be held on a regular basis in future.

Addresses Federation Council

LD0607110295 Moscow Radio Rossii Network in Russian 1000 GMT 6 Jul 95

[FBIS Translated Text] A two-day meeting of Russian ambassadors to the CIS countries opened in Moscow today. President Boris Yeltsin greeted its participants. Prime Minister Viktor Chernomyrdin said he intends to meet the ambassadors. Foreign Minister Andrey Kozyrev opened the meeting. Equality of rights and duties — this is Kozyrev's definition for the current relations with the CIS:

[Begin Kozyrev recording] Not only has it been found possible to generally ensure a civilized divorce, but in what is in historical terms a very short time — for we are only speaking of two to three years — it has been found possible to ensure that integration trends and trends toward cooperation in a number of areas have reappeared. [end recording]

On the same day, Andrey Kozyrev addressed the Federation Council and our parliamentary correspondent Vyacheslav Osipov has the details:

[Osipov] He stated right off the bat that relations with the CIS were a priority for the Russian Foreign Ministry. The main problem besetting relations within the Commonwealth, noted Kozyrev, is the implementation of accords that were reached.

Russia will give sympathetic consideration to specific credits, but it will, at the same time, take account of strategic interests where relations with the CIS are concerned.

The level of Russia's relations with Belarus was termed as being unprecedented, but the key issue does remain: political accords should not be suspended in mid-air. Kozyrev stressed that the problem of ensuring security in the former Union republics needs to meet with understanding and support on the part of the parliament and international organizations.

Kozyrev said the United Nations has adopted a resolution to support Russia's peace efforts in Tajikistan. He also said it is impossible to resolve the problem of ethnic minorities by diplomatic methods alone. Kozyrev welcomed the establishment of a commission dealing with expatriate affairs, headed by Sergey Shakhray.

Cited on Foreign Policy Priorities

LD0607130495 Moscow ITAR-TASS in English 1233 GMT 6 Jul 95

[By Lyudmila Yermakova]

[FBIS Transcribed Text] MOSCOW, July 6 (Itar-Tass) — "Russia has been and will remain a great power, and

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there is no reason to deny this fact now," believes Russian Foreign Minister Andrey Kozyrev. He addressed on Thursday a meeting of the Federation Council at the invitation of deputies who would like to have first-hand knowledge about Russia's foreign policy activity. Under the constitution, a number of international problems are in the domain on the upper house.

Kozyrev said the priority task of the foreign policy agency is the development of relations with the CIS countries. These relations should "promote integrational processes, ensure stability and protect rights of compatriots. The Foreign Ministry would like to have legislative aid from the parliament in this respect," he said.

Emphasising the importance of creating a collective security system of the CIS, Kozyrev said that the Community "accumulates the experience and potential of independent peacemaking activities". He urged the Federation Council to continue supporting peacekeeping operations in Abkhazia, Tajikistan and other troubled areas. The Minister believes the world community must help Russia in this activity. "We fulfil vast work for the stabilisation in a huge part of the globe", he said.

Regarding problems of relations with NATO, Kozyrev said that NATO bloc "is one of international instruments left over from the past epoch and not the main direction of solving common European tasks". The Minister said the Organisation for Security and Cooperation in Europe (OSCE) "is gaining momentum and can make real contribution to forming united Europe". He described OSCE as an instrument for all Europe.

Kozyrev noted that Russia is establishing strategic partnership with China. He said it assumes a stable character.

Kozyrev called the attention of deputies to the fact that officials quit the Russian diplomatic corps. He classed this problem with matters of "national security". Highly assessing professional level of Russian diplomats who "have not lost a single politico-diplomatic contest so far", Kozyrev said that because in a low pay for diplomats, they may go to work in other areas. "Enthusiasm alone is not enough," the minister said.

Praises CIS for Preventing 'Tragedy'

LD0607130995 Moscow Russian Public Television First Channel Network in Russian 1100 GMT 6 Jul 95

[Correspondent Mikhail Aleksandridi video report; from the "Novosti" newscast]

[FBIS Translated Text] Foreign Minister Andrey Kozyrev has called upon journalists not to look for Russia's imperialist imprint on the CIS or for signs of the Commonwealth falling apart. At a conference of Russian ambassadors to the former Soviet republics held in Moscow today, the head of the Foreign Ministry stated that the tendency for integration, which is taking shape now, makes real the prospect for creating a common market, a payments and currency union on the post-Soviet space. The minister described the formation of the collective security system in the Commonwealth as a victory for common sense, which, Andrey Kozyrev stressed, means not the emergence of a new political bloc, but the creation of a mechanism for ensuring stability on the Euro-Asian continent.

Incidentally, the head of the Foreign Ministry noted that in a situation where the world community is not in a rush to join peace-keeping operations on the territory of the former USSR, the CIS helped avoid the worst scenario for the Soviet Union's collapse.

[Begin Kozyrev recording] If there were no CIS, it is very likely that in the former Soviet Union [FSU], we would have had a large-scale tragedy like the one that is, unfortunately, taking place in the former Yugoslavia. [end recording]

Delegate on UN Resolution on Yugoslavia Sanctions

LD0607083995 Moscow ITAR-TASS in English 0745 GMT 6 Jul 95

[By Boris Sitnikov]

[FBIS Transcribed Text] UNITED NATIONS, July 6 (Itar-Tass) — The Wednesday [4 July] meeting of the U.N. Security Council has adopted a resolution to prolong the partial suspension of sanctions against Yugoslavia by 75 days, until September 18. Russia, which calls for the termless extension of this regime, abstained during the voting.

Speaking on the motives of the vote, Acting Permanent Delegate of Russia to the United Nations Vasiliy Sidorov noted: "We believe the constructive line pursued by the United Republic of Yuvoslavia merits adequate encouragement, i.e. the further easing of the burden of sanctions. The minimum the Security Council can do is to make the partial suspension of sanctions termless as proposed by the Russian Federation. Unfortunately, this proposal was not adopted again.

Just as resolution 988, the current prolongation of sanctions, envisaged in the draft resolution, will last for a curtailed term of only 75 days." Sidorov stressed that the unwillingness of the draft resolution's co-authors to reckon with the view of other members of the Council, including Russia, signifies, in fact, "a deviation from the positive tendency of adopting decisions by concensus, which has lately gained strength in the Security Council, and which reflects the stand of all its members".

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Thought up elements, which have nothing to do with the matter in hand, had been arbitrarily "hitched" to the solution of the problem of suspending sanctions during the drafting of the current resolution. For instance, a new item has appeared in the resolution, pointing to the importance of stopping military aid to the Bosnian Serbs.

The Russian delegate told the Security Council that the adduced assertions were not proved, and the foregoing "provision is spearheaded against one of the sides involved in the Bosnia and Herzegovina conflict, at the time when responsibility for the recent sharp deterioration of the situation there is borne not by the Bosnian Serbs, in any case not in the asserted measure".

"From the point of view of principle, this ban should cover all the conflicting sides in Bosnia and Herzegovina and all the forms of military aid. A one-sided application of the ban will inevitably be interpreted by the sides as a manifestation of a 'double standard' with all the ensuing negative consequences," Sidorov stated.

Article Criticizes Pentagon Draft Budget

MM0507152895 Moscow IZVESTIYA in Russian 5 Jul 95 p 3

[Report by journalist Melor Sturua: "Even the United States Would Get Far Richer by Daring To Really Cut the Military Budget"]

[FBIS Translated Text] Minneapolis — The draft Pentagon budget has been drawn up and is now being discussed by the U.S. Congress. To read it, you would never guess that the Cold War has ended and the Soviet Union vanished from the political map of the world.

Neither the White House nor the Republican opposition has so much as touched the main aviation programs remaining from past years, plus there are new ones: the B-2 Stealth bomber; the FA-18 Navy fighter; the F-22 Air Force fighter; the C-17A Air Force transport aircraft; the Apache Army helicopter; the V-22 Osprey Marine Corps vertical takeoff transport aircraft. The new multirole (attack) Navy submarine and the SVN76 aircraft carrier found themselves among the untouchables.

First, all these programs are **superfluous** from the strategic viewpoint in the contemporary geopolitical situation. Second, the chief role in their conservation is played by domestic political considerations — the profits of military concerns and employment, which in a preelection period converts into potential votes. Third, all these programs are extremely costly. According to official data, their cost will total $391.4 billion.

But even that is still not all. The budget of the CIA and other intelligence agencies will total $28 billion, although, in the view of independent experts, under the new conditions it would be possible to reduce it to $2 billion. Administrative costs and the cost of funding the arms trade are $6.5 billion in 1995 and approximately $45.5 billion during 1996-2002. It costs $3 billion a year to maintain the three main nuclear laboratories — Los Alamos, Livermore, and Sands. Again we are talking of expenditure which is **not necessary** for the country's national security but whose reduction would save taxpayers $248.5 billion during 1996-2002.

U.S. strategists proceed from the need to be ready to wage two minor wars against terrorist states. Such disturbers of the peace in the international community include Cuba, Libya, Syria, Iran, Iraq, and North Korea. So, the combined military budget of these "renegade states" totals $9.64 billion a year, i.e. in order to maintain its readiness to wage these two wars the Pentagon is demanding appropriations which exceed by 27 times the military expenditure of all conceivable and inconceivable rivals! Even in the admission of U.S. legislators themselves, the joint military budget of Beijing and Moscow amounts to an "insignificant proportion" of the Pentagon's expenditure.

It is not hard to imagine what salivation all these figures occasion in Grachev's Pentagon on the Arbat. They occasion abundant salivation even in Americans themselves, albeit for quite different reasons. What reasons? By way of a reply to this question I will cite computations by Seymour Melman, chairman of the National Commission for Economic Conversion and Disarmament.

Taking as his starting point the premise that a reduction in unnecessary military expenditure will save the country $875.7 billion during the period 1996-2002, Melman calculated that the United States will be able to improve its infrastructure significantly by creating an extra 2 million jobs — which will more than cover the losses from the curtailment of military programs. For $98 billion it will be possible to rebuild 50 percent of the housing stock in need of capital repair; $100 billion will resolve the problem of public education; $44 billion will ensure the full funding of federal education programs; $180 billion will ensure the complete electrification of all the country's main railroads; $135 billion will be able to resolve the problem of funding the modernization of all U.S. water resources and maintaining them.

But all this, Melman writes, is in the realm of dreams, for the F-22 fighter is made in the constituency of Newt Gingrich, Republican speaker of the House of Representatives, and the C-17A and F-18 aircraft in the constituency of Richard Gephardt, leader of the House Democratic minority.

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Outcome of Chernomyrdin-Gore Commission Praised

MM0507153795 Moscow ROSSIYSKIYE VESTI in Russian 5 Jul 95 p 3

[Report by Pavel Shinkarenko: "U.S. Firms Lead in Russian Markets"]

[FBIS Translated Text] The fifth session of the Russian-U.S. Commission for Economic and Technological Cooperation, also known as the "Chernomyrdin-Gore Commission," has culminated in the signing of 21 documents.

Formed only two years ago on the initiative of Boris Yeltsin and Bill Clinton at their first meeting in Vancouver in April 1993, this commission has become a catalyst that has given a mighty boost to bilateral relations, above all in the economy, the power industry, and space. This is the result: In 1995 trade turnover between Russia and the United States could exceed $7 billion, which is twice the figure in 1992, when the Chernomyrdin-Gore Commission did not exist.

Currently the United States accounts for over 5 percent of Russia's entire foreign trade, and in this respect the United States is behind only Ukraine and Germany. U.S. investors are also becoming more active. U.S. firms are foremost among foreign companies which have decided to set up their businesses in Russia. But the aggregate volume of their investment, totaling approximately $2 billion, so far bears no relation to the Russian market's potential.

The potential here is considerable. Above all in the oil and gas industries. The Chernomyrdin-Gore Commission is doing everything to remove the obstacles in this sphere left over from the Cold War period. Specifically, an agreement has been signed on sharing output under the "Sakhalin-1" project, which provides for the exploration of oil and gas deposits located on the northeast shelf off Sakhalin Island. Total oil reserves in the contract zone are 291 million tonnes and total gas reserves are 420 billion cubic meters.

Cooperation in space is another example. On the very days when the commission was at work the space shuttle Atlantis, with Russian cosmonauts Anatoliy Solovyev and Nikolay Budarin on board, was docking with the Mir orbital station. The biggest complex in the entire history of space exploration was created, with a total mass of 220 tonnes. Over a five-day period 10 people worked aboard it, carrying out scientific experiments under a joint program. The results obtained will be brought back to Earth aboard Atlantis.

Russia and the United States have taken another step toward each other on the road of partnership.

Nine U.S. Investment Projects Backed by OPIC

MM0507163095 Moscow IZVESTIYA (Financial Section) in Russian 4 Jul 95 p i

[Article by Konstantin Baskayev: "U.S. Government Supporting Private Business in Russia With OPIC Funding"]

[FBIS Translated Text] The U.S. Overseas Private Investment Corporation (OPIC) announced on the eve of the fifth session of the Gore-Chernomyrdin intergovernmental commission that $350 million was being allocated to fund projects supported by the U.S. Government and to insure nine private enterprises in Russia against political risks.

According to OPIC President Ruth Harkin, Russia is moving faster toward the free market than anyone had expected, and investment backed by the U.S. Government through OPIC is more diversified than before.

OPIC is an independent U.S. Government agency which provides funding and insurance for political risks for U.S. companies interested in investing in more than 140 countries around the world.

For the first time operations will begin to provide insurance cover for foreign exchange conversion (prior to this OPIC had insured political risks extending solely to cases of political violence and expropriation).

In addition to the projects directly supported by OPIC, injections of capital into the Russian economy have been made in another group of enterprises through two private joint-stock funds for the Russian Federation with OPIC support. These are the Newly Independent States First Regional Fund with capital of $180 million administered by the Barings Asset Management firm, which has embarked on investment in natural resources, telecommunications, consumer goods, and health care. The other is the Russian Partners Fund with $155 million in capital administered by the firm of Paine Webber, which has made its first investments in the Russian timber procurement and oil and gas sectors.

Among the nine projects that have obtained investment through this organization, Ruth Harkin mentioned the following:

OPIC allocated $100 million to Citibank to provide discount-rate working capital loans to joint ventures with links with the United States. Earlier OPIC had granted Citibank $25 million in the form of political-risk insurance and had offered additional coverage of $55 million;

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$93 million to fund and insure the new Marriott Hotel in central Moscow — the hotel will be built on the "Intourist" site;

$112.5 million has been allocated to the Cyprus Minerals Company (Denver) to insure and fund a gold mining project in Magadan Oblast. The oblast administration has already made a $40-million contribution of its own;

OPIC has allocated an additional $18.9 million to expand three existing telecommunications projects in the St. Petersburg-Moscow "corridor." This will increase the total project insurance to $76.8 million;

$10 million to insure the Global Forestry Management Group consortium. The 10 small U.S. timber procurement companies making up the consortium are investing in a major timber procurement project in the Far East;

$4.5 million has been allocated to the V.G. Enterprises Inc. Company to insure a project to improve food safety and set up a modern meat combine in Moscow Oblast;

$1.9 million to Readers Digest to insure the project to publish a Russian-language version of the monthly magazine in Russia.

Vice Premier Yarov on Official Visit to India

Indian Prime Minister Receives Yarov

LD0507172795 Moscow ITAR-TASS in English 1452 GMT 5 Jul 95

[By Sergey Spitsin]

[FBIS Transcribed Text] NEW DELHI, July 5 (Itar-Tass) — Russia and India reached considerable progress in their bilateral economic relations, Indian Prime Minister P.V. Narasimha Rao said. He received on Wednesday Russian Vice Prime Minister Yuriy Yarov who arrived in New Delhi to take part in the working meeting of co-chairmen of the Russia-Indian inter-parliamentary commission for trade, economic, scientific and technical cooperation.

During the talks, the two sides exchanged on a wide range of problems of mutual interest. The two sides expressed satisfaction with the activity of the inter-parliamentary commission which implements the instructions of the Russian and Indian governments to double the volume of bilateral trade turnover this year.

Yarov informed the Indian prime minister about the current political and economic situation in Russia. He said that the overcoming of the parliamentary-government crisis testifies that Russia will follow the way of democracy.

Yarov, Indian Minister Discuss Trade

LD0607084995 Moscow ITAR-TASS in English 0806 GMT 6 Jul 95

[By Leonid Kotov]

[FBIS Transcribed Text] NEW DELHI July 6 (Itar-Tass) — Russia and India have available all resources to increase bilateral trade up to 1,600 million U.S. dollars in the current year, which will double the bilateral trade turnover level achieved in 1991.

This was stated here on Thursday at the on-going working meeting between Yuriy Yarov, Russian Vice-Premier, and Pranab Kumar Mukherjee, Indian Minister of External Affairs, who are the Co-Chairmen of the Intergovernmental Russo-Indian Commission for Trade, Economic, Scientific, Technical and Cultural Cooperation.

The attainment of this goal will be "an important step" on the way to both the restoration of the scope of trade between India and the former Soviet Union and its further considerable increase. A decisive turn in the development of trade relations between the two countries was achieved resultant of great efforts made by Russia and India over the past two years, Mr Mukherjee emphasised.

The Commission Co-Chairmen considered a wide range of matters connected with the economic cooperation of the two countries. Yarov, in particular, informed Mr Mukherjee of the Russian government decision to use part of Indian debts equivalent to 250 million USD for the modernisation of the Novorossisk seaport. A number of major Indian companies is expected to participate in the project.

Mr Yarov also pointed out Russian organisations' interest in participation in modernising power facilities built in India with Soviet technical assistance and in building a major hydropower complex at Teri, Uttar Pradesh.

Having expressed satisfaction with the development of Russo-Indian cooperation in science and technology, Mr Yarov and Mr Mukherjee emphasised that it yields tangible practical and commercial results.

The Commission Co-Chairmen confirmed that a Russian culture festival would be held in India at the end of this year and an Indian culture one would be held in Russian cities in May 1996.

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Country 'Snubbed' in DPRK Reactors Deal

MM0607102295 Moscow KOMSOMOLSKAYA PRAVDA in Russian 4 Jul 95 p 3

[Article by Andrey Kabannikov: "Uranium, Rice, and the Forgotten Friendship of the Peoples. Once Again Russia Has Been Snubbed: Our Industry Has Been Left Out of the Program to Re-equip North Korea's Nuclear Power Industry"]

[FBIS Translated Text] Is the DPRK finally going to freeze its nuclear program which so terrifies the world? Will it be rewarded for that with a free gift of modern water-cooled, water-moderated reactors which produce waste that can hardly be used to produce an atomic bomb no matter how hard one tries?

Two new reactors for North Korea will cost $3.5 billion. Japan and South Korea, which have a vital interest in preventing nuclear mushroom clouds on their doorstep, responded more keenly than anyone else to Washington's call to set up an international consortium to finance the project. For some time Russia, which rashly laid the foundations of the nuclear industry there by supplying a heavy water reactor in 1960 but which now, with the closure of the program, is losing the local market, comforted itself with the thought that it too would get a part of the new order. But no matter how much our nuclear scientists say that modern Russian reactors are in no way inferior to Western ones and, what is more, cost half the price and that we have experience of working with the Koreans, no one is interested.

He who pays the piper gets the reactor order. The main sponsor of the deal is Seoul, which has promised a large proportion of the required sum, the prime condition being that it supplies the main equipment itself.

However, this idea appealed to Pyongyang least of all. The construction of the reactors will involve at least 3,000 South Korean specialists. But Kim Il-song's subjects, cut off from the outside world, still believe that their unfortunate fellow countrymen in the South live in a poor, backward country run by a puppet regime. Then suddenly there is this throng of well-fed engineers bringing top-class equipment marked "Made in South Korea," the like of which they have never seen before.

"Anyone but them!" they demanded in Pyongyang. "No one but us!" they insisted in Seoul, "otherwise find someone else to pay the bill." For four months the highly charged talks were deadlocked between these two positions. The agreement that was finally signed contains a somewhat enigmatic phrase: The DPRK has agreed to accept an "improved model of U.S.-designed reactors." To judge from the assurances that President Clinton gave his Seoul counterpart the reactors will indeed be designed in America but built in South Korea without bearing the producer's name and will be delivered to Pyongyang on behalf of the international company.

Was there really no easier way of organizing things? After all, Pyongyang, with its experience of ensuring total secrecy, would probably have had no great difficulty in building a wall around an erupting volcano and keeping it secret from its citizens. The point is, however, that the deal with the Americans is not just to do with the nuclear program. The North Korean regime's tragedy is that it does not need a bomb either for offensive or defensive purposes — no one intends waging war on Pyongyang. The DPRK's hypothetical ability to become a nuclear power is the only remaining factor today which will make the West come to the negotiating table and hold a dialogue with Kim Il-song's heirs. And if in the process it conducts itself quite well, haggles furiously, and makes some minor concessions, then not only will it get the reactors — the need for which is dubious — but it might also get a lot of things that really are vitally necessary — like rice, oil, and dollars.

Immediately after the signing of the agreement in Kuala Lumpur there were unprecedented secret talks between representatives of North and South Korea in Beijing. They lasted five days after which it was announced that for the first time in the history of non-existent bilateral agreements Seoul will send 150,000 tonnes of free rice directly to the north. Admittedly, Pyongyang is asking for emergency aid of 300,000 tonnes. Ideally, according to the experts, what it would like is at least 2 million tonnes. All this makes the U.S. participants in the nuclear conversion talks expect bad news: The rice shortfall means that the reactor trade is threatening to start up again and continue with renewed force in the very near future.

Importance of Trade With Kuwait Argued

MM0507132995 Moscow IZVESTIYA in Russian 4 Jul 95 p 3

[Report by Elmar Guseynov: "Kuwait's Wealth and Fears"]

[FBIS Translated Excerpt] Kuwait-Moscow — [passage omitted] Kuwait has always had good relations with Russia. Before the Iraqi invasion the Kuwaitis even bought our military hardware — and in large quantities. Even later, when in exile, the Kuwaiti leadership found it possible to lend money to the Russians. This debt now stands at around $1.1 billion.

Russia's overt policy of now restoring ties with Iraq horrifies the Kuwaitis. What they find hardest to understand

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is the economic basis for this rapprochement between Russia and Iraq. Having access to full information on the economic position of their northern neighbor, people here are convinced that Iraq will not and cannot offer Russians viable contracts. One of our oil corporations is clearly dreaming of obtaining the money from our country's government in the form of a credit — but where is Russia's interest in this?

Meanwhile, Kuwait is a unique reservoir of available capital in the modern world. Even the expenditure on restoring the country — which has come to around $60 billion in four years — has not exhausted this source. The Kuwaitis annually invest more than $2 billion around the world through the Kuwaiti Fund for Arab Economic Development — one of several similar financial institutions — alone, not to mention state and private investment. People here are ready to look at any investment project in Russia that is backed by state guarantees. This is real, hard cash which could theoretically be available not in the distant future — like the mythical Iraqi contracts — but tomorrow or right now if we act sensibly and intelligently.

Minister: Country Still Has Interests in Africa

LD0507185195 Moscow ITAR-TASS in English 1436 GMT 5 Jul 95

[By Konstantin Pribytkov]

[FBIS Transcribed Text] GENEVA, July 5 (Itar-Tass) — In spite of its temporary difficulties, experienced during the current transitional period, Moscow "still displays long-term interest in Africa." It links the prospects for consolidating its contacts with African countries especially with the contribution of the Russian private sector and investors, Russian Minister for Civil Defense, Emergency Situations, and Liquidation of the Consequences of Natural Calamities Sergey Shoygu said on Tuesday evening, addressing the session of the U.N. Economic and Social Council, devoted to African problems, currently under way here.

Russia believes Africa's development and stability depends primarily on preventive actions, on the liquidation of reasons behind the crises on the continent and of their symptoms, and also on cooperation for the sake of development, which is to replace the traditional "aid", the Minister said. However, the slogan "Everybody must help himself" does not mean that somebody wants to doom Africa to its fate. The African nations will hardly be able to cope with the tasks facing them by their own means.

It is not without reason that even during the difficult period it now experiences Russia has exerted substantial efforts to render urgent humanitarian aid in connection with the Rwanda events, Shoygu noted.

A special transport team of thirty Kamaz trucks, two filling trucks, and two mobile workshops operated on the border between Tanzania and Rwanda in mid-May 1994. It was able to transport more than twenty thousand refugees and more than 5,000 tonnes of foodstuffs and other humanitarian cargoes. After the end of the operation, this motor pool worth 150,000 U.S. dollars, was transferred to the Department of the U.N. High Commissioner for Refugees. Moreover, 100 tonnes of flour and rice were delivered to the town of Goma (Zaire) by planes of the Ministry for Emergency Situations at the request of the U.N. Secretary-General.

Diplomat: 14th Army Staffed by Russian Citizens

LD0507191495 Moscow INTERFAX in English 1444 GMT 5 Jul 95

[From the "Diplomatic Panorama" feature: by our diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, July 5 (Interfax) — The task force of the Russian troops in Moldova's Trans-Dniestr region (Russia's former 14th Army) is staffed exclusively by Russian citizens, a high-ranking Russian diplomat told Interfax on Wednesday.

He denied the allegations that Moldovan citizens served in the Russian troops stationed in Trans-Dniestr.

"In accordance with the law, only Russian citizens can serve in Russia's Armed Forces," he said. "A wrong impression about the situation in the 14th Army is due to the fact that many of its servicemen come from Trans-Dniestr and other regions of Moldova, but are citizens of Russia," he added.

Speaking about prospects for the withdrawal of the Russian military contingent from Trans-Dniestr, he said that Moscow views the Russian-Moldovan withdrawal agreement, concluded on October 21, 1994, as quite feasible. He noted, however, that the implementation of the agreement has not yet begun.

He said that the agreement provides for the gradual withdrawal of the Russian troops during three years from the moment it goes into effect. "But prior to this, the document must be ratified by the Russian parliament to which it was submitted by President Yeltsin in June," he said.

He pointed out that "the political settlement of the Trans-Dniestr problem, the definition of this region's

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special status and the solution of a number of organizational, technical, financial and property-related problems, are the indispensable prerequisites for the withdrawal of the Russian troops from Moldova."

He explained that in the first place two agreements must be concluded with Chisinau: on Moldova's participation in the construction of housing for the Russian servicemen leaving Moldova and on dealing with the immovable property, left behind in Moldova.

He said that Russia was not going to remove its contingent unprepared. "We have had bitter experience already," he said.

"Russia will bear a larger part of the expenses related to the provision of housing for the servicemen," he went on to say. "However, Moldova must participate, too. The forms and volume of its participation is to be coordinated," he added.

"At the moment, Moldova claims it experiences economic problems and find it difficult make budget allocations to this project."

"Neither has any agreement been reached on the property — barracks, depots and testing grounds — which will be left behind by the Russian troops," said the diplomat.

"We think that this problem might be solved in various ways. One of them is to set up joint-stock societies or joint ventures and consider this property to be Russia's share in the authorized capital. The second option is to sell this property during an auction or at contractual prices. The money might be divided 65 to 35 between Russia and Moldova's local (Trans-Dniestr) authorities," he said.

He said that "the absence of agreement on these two vitally important property-related problems largely slows down the ratification of the basic agreement on the procedure and schedule of the Russian troops' withdrawal from Moldova."

The elimination of surplus ammunition and the future of the Russian troops' movable property — old vehicles and building equipment whose removal is simply inexpedient — is another problem to be solved, he continued.

He noted that "the armaments and combat equipment must be withdrawn from Trans-Dniestr alongside the Russian troops." "Moscow is not going to discuss the cardinal question of the future of this larger part of the movable property," he added.

In his opinion, the property-related problems are still unsolved because "the economic aspects of relations between Chisinau and Tiraspol have not been settled yet."

He therefore described as "unfounded" the assertions that the withdrawal of the Russian troops from Moldova is delayed through Russia's fault.

He did not rule out that "the term of the Russian troops' stay may be prolonged if new circumstance arise, including delays in the talks between Chisinau and Tiraspol on the Transdniestrian problem.

"Some progress has been made during the talks between Chisinau and Tiraspol, though," said the diplomat. "The sides have stated that they should seek a political solution within the limits of the Moldovan borders, not a military solution," he said.. Chisinau also stated it was ready to grant Trans-Dniestr an autonomous status. However, this concept must be given a specific content. The two sides must decide which rights should be granted to Tiraspol, how the powers should be shared and what relations with the center will be like.

All of these questions will be discussed during the talks between President Snegur and Transdniestrian leader Igor Smirnov which began in Tiraspol on July 5.

He said Moscow believes that Chisinau and Tiraspol might conclude an agreement on power-sharing, similar to the agreement between Moscow and Tatarstan (Tatarstan is a member-republic of the Russian Federation). He noted, at the same time, that Russia is not taking part in the Moldovan-Trans-Dniestr talks and acts only as a mediator. "In this case everything depends on the negotiating parties," he said.

The closed-door talks between Snegur and Smirnov are also attended by head of the OSCE permanent mission in Moldova Michael Wigant and the Russian president's envoy Vladlen Vasev.

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Political Issues

Russian Delegation to Groznyy Talks Briefs Media

Mikhaylov Cited on 'Optimism'

LD0507213495 Moscow INTERFAX in English 1837 GMT 5 Jul 95

[FBIS Transcribed Text] MOSCOW, July 5 (INTERFAX) — The talks between the Russian Government delegation and Dzhokhar Dudayev's representatives in Groznyy are uneasy but the results of the first two rounds of the talks "give reason for certain optimism," the chief Russian negotiator for talks with Chechnya Vyacheslav Mikhaylov, who has just been appointed as Russian Minister for Nationalities, told a press conference in the Russian House of Government today.

He said the parties had reached "a high degree of mutual understanding" on the range of military problems and the implementation of many of the achieved agreements had already begun. Mikhaylov said that, in particular, a supervisory commission and a commission which will control elections to all power bodies were being created.

The supervisory commission will control the implementation by the parties of the agreement on ending armed confrontation in the republic.

Mikhaylov said the parties had also found "a constructive direction" when considering all the political problems. He said the participation of real Chechen political organizations and elections to the Chechen supreme power bodies were required for dealing with the political problems.

Mikhaylov said that after the Chechen supreme power bodies were elected the federal authorities could decide on their relations with Chechnya, which is still a constituent member of the Russian Federation.

Mikhaylov said that the Russian delegation for talks in Groznyy had been enlarged with one more member. Russian presidential aide Mikhail Krasnov has joined it.

Dudayev Willing To Leave Post

LD0507203095 Moscow Russian Television Network in Russian 1900 GMT 5 Jul 95

[From the "Vesti" program]

[FBIS Translated Excerpt] And now the promised report about the press conference by Arkadiy Volskiy at which he made sensational statements.

[Correspondent S. Zenin] The press conference by the members of the Russian delegation began later than scheduled. [passage omitted] It seems a special status has been envisaged for Dzhokhar Dudayev.

[Begin Volskiy recording] At present Dudayev is important not as a personality, but as an emblem. What is known as Dudayevism is a much more real thing at present than Dudayev himself. [end recording]

[Zenin] Speaking about Dudayev, Arkadiy Volskiy made yet another sensational statement:

[Begin Volskiy recording] He has confirmed that he will leave the post of president and dissolve the parliament and government on condition the republic's sovereignty is recognized. [end recording]

Delegation Receives 'Guarantees' on Decree

LD0607073595 Moscow INTERFAX in English 1837 GMT 5 Jul 95

[FBIS Transcribed Text] MOSCOW, July 5 (INTERFAX) — The Russian delegation at the Groznyy talks with Dzhokhar Dudayev's supporters received guarantees Wednesday that the Russian president's decree on the deployment of federal troops in Chechnya, published Tuesday, would be repealed or changed, Arkadiy Volskiy, deputy head of the delegation, told a news conference at the Russian government headquarters on Wednesday evening.

He said the delegation would not be leaving for Groznyy to resume talks Thursday if it had not received such guarantees from the country's leaders.

"The decree is not as frightening as its interpretation given by Russian Defense Minister Pavel Grachev," stressed Volskiy. Grachev's statement on the decree put negotiations on the verge of failure, he said.

Vyacheslav Mikhaylov, Russian Nationalities Minister and head of the Russian delegation at the Groznyy talks, told the news conference that during the consultations with Prime Minister Chernomyrdin Wednesday, members of the delegation defined more precisely "the formulation of necessary documents and agreed on the points of the Russian delegation's position at the talks."

Volskiy Statement Said Inaccurate

LD0607100795 Moscow Radiostantsiya Ekho Moskvy in Russian 0900 GMT 6 Jul 95

[FBIS Translated Text] Commenting on Arkadiy Volskiy's statements at the news conference yesterday on the cancellation of the president's decree on the permanent stationing of federal troops in Chechnya, the president's press secretary Sergey Medvedev told our radio station that he does not know what was behind Volskiy making such statements. I do not think that he was right, Sergey Medvedev stressed.

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Press Secretary Confirms Decree

LD0607104395 Moscow Russian Television Network in Russian 1000 GMT 6 Jul 95

[FBIS Translated Text] In an interview with the Moscow Echo radio station, the president's press secretary Sergey Medvedev stated that he does not know what sources were behind Arkadiy Volskiy's statement that the president's decree on the stationing of Russian troops in Chechnya will be revoked. I think, Medvedev stated, that Volskiy is wrong.

We contacted Sergey Medvedev by telephone, and he confirmed what he had said. Moreover, the president's press secretary added that the decree on stationing Russian troops in Chechnya has been signed within the framework of the current legislation; and the creation on the territory of Chechnya today of a military registration and enlistment and a commandant's office, which were abolished during the period of Dudayev's administration, is completely legitimate. In Medvedev's opinion, the withdrawal of troops now can only destabilise the situation in the republic.

In answer to our question on whether this decision by the president might influence progress at the current talks in Groznyy, Sergey Medvedev answered: No, the decree has been signed and our position is known.

Yeltsin Ministerial Appointments Announced

Kulikov Appointed Interior Minister

LD0607141495 Moscow ITAR-TASS in English 1407 GMT 6 Jul 95

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — President Boris Yeltsin has signed a decree promoting deputy Interior Minister Col. Gen. Anatoly Kulikov to the position of the Interior Minister of the Russian Federation, the presidential press service reported on Thursday.

Since February 1995, commander of Interior troops general Kulikov, 48, has been in charge of military operations of federal troops in Chechnya. He is in Groznyy now as a member of the Russian delegation at peace talks with Chechen separatist leaders.

Kulikov will replace Viktor Yerin who resigned from the minesterial position last week over the Budennovsk hostage crisis.

On Wednesday, Yerin was appointed deputy head of the Foreign Intelligence Service, a branch of the former KGB conducting overseas operations.

Yerin Named FIS Deputy Chief

LD0507131295 Moscow ITAR-TASS World Service in Russian 1303 GMT 5 Jul 95

[FBIS Translated Text] Moscow, 5 July (ITAR-TASS) — Today Russian President Boris Yeltsin appointed former interior minister Viktor Yerin to the post of deputy director of the Foreign Intelligence Service [FIS]. This has been reported by the press service of the Russian Federation President.

Mikhaylov Named Nationalities Minister

LD0507155495 Moscow ITAR-TASS World Service in Russian 1504 GMT 5 Jul 95

[FBIS Translated Text] Moscow, 5 July (ITAR-TASS) — By his decree President Boris Yeltsin today appointed Vyacheslav Mikhaylov Minister for Nationalities and Regional Policy of the Russian Federation, press service to the head of state has told ITAR-TASS. Until now Mikhaylov was first deputy minister.

On 30 June by his decree the Russian president dismissed Nikolay Yegorov from the post of Minister for Nationalities and Regional Policy of the Russian Federation at the latter's request.

Kovalev Appointed Justice Minister

MM0507154895 Moscow ROSSIYSKIYE VESTI in Russian 5 Jul 95 p 1

[Unattributed report: "Chief of Justice Ministry To Tackle Cadres"]

[FBIS Translated Text] Boris Yeltsin has issued a directive including Russian Federation Justice Minister Valentin Kovalev in the membership of the Russian Federation Presidential Council for Cadre Policy, which now has 22 members.

Our Information

The cochairmen of the Council for Cadre Policy are Sergey Filatov, head of the Russian Federation Presidential Staff, and First Vice Premier Oleg Soskovets. In addition, the Council comprises Vladimir Shumeyko and Ivan Rybkin, chairmen of the Federal Assembly chambers, and Moscow Mayor Yuriy Luzhkov. The Council tackles strategic issues of cadre policy (the functioning of structures in the state service, the compilation of registers of state officials, etc.). Recommendations regarding personal appointments are prepared by two commissions under the Council — the Commissions on Top Military and Special Ranks and on Candidacies for Federal Court Judges. All the decisions adopted by the Council and its commissions are recommendatory while

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the head of state has the last word, formalizing appointments to top official posts by presidential edict.

Yeltsin Tells Rybkin Duma Bill Unconstitutional

LD0507133095 Moscow ITAR-TASS in English 1300 GMT 5 Jul 95

[By Andrey Shtorkh]

[FBIS Transcribed Text] MOSCOW, July 5 (ITAR-TASS) — The bill on forming the Federation Council (Russian parliament upper chamber) which was adopted by the State Duma (lower chamber) on Wednesday [5 July] runs counter to the Russian Constitution and operating legislation, President Boris Yeltsin told State Duma speaker Ivan Rybkin here today.

This just ended meeting between the Russian leader and the speaker lasted about one hour, presidential secretary Sergey Medvedev told ITAR-TASS.

The State Duma adopted the bill on forming the Federation Council in the third reading, according to which all members of the upper chamber are elected by Russian citizens on the basis of general, equal and direct suffrage by secret vote from among candidates nominated, respectively, from legislative and executive bodies of state power of the Russian Federation's members.

The bill was voted in by 255 legislators, against 12, with two abstentions. The Duma rejected today three alternative bills concerning the procedure of forming the Federation Council. The bill is to be submitted for the upper chamber's approval .

Shumeyko Opposes Duma Bill

LD0507140095 Moscow Radio Rossii Network in Russian 1100 GMT 5 Jul 95

[FBIS Translated Text] When Federation Council Chairman Vladimir Shumeyko found out that the State Duma had passed a law on the procedure for forming the Federation Council, he stated to journalists that if the principle of election to the upper chamber were enshrined in this law it would be contradictory to the articles of the Constitution. The Federation Council speaker said today that the chamber will send an inquiry to the Constitutional Court concerning the interpretation of the concept of forming the Federation Council.

It became known earlier that the legislative committee of the chamber interprets this concept on a broad basis, which stipulates the election of deputies to the upper chamber. Vladimir Shumeyko insists on the version of appointing representatives of the regions to the Federation Council. He assumes that the majority of the upper chamber supports this principle.

The chamber will start examining the law on the procedure for forming the Federation Council in 14 days.

Chernomyrdin Addresses Cabinet on Currency Policy

LD0607083495 Moscow ITAR-TASS in English 0737 GMT 6 Jul 95

[By Oleg Velichko]

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — The joint statement of the Government and the Central Bank on the currency policy contains nothing unexpected or revolutionary. It is a normal, standard measure within the framework of a consistent financial stabilisation policy, Prime Minister Viktor Chernomyrdin said in his opening address at the meeting of the Cabinet here today.

The Prime Minister said the present state of the Russian economy was characterized by a high level of the so-called "dollarization." According to experts, private individuals have hoarded between 15 billion and 20 billion dollars.

"Fluctuations in the dollar exchange rate create an unfavorable environment for foreign trade, engender instability of the entire financial system, and feed strong inflationary anticipations," Viktor Chernomyrdin said.

The Government and the Central Bank will work to stabilize the domestic currency market and make it more predictable, he said.

According to the Prime Minister, the fixing of the rouble exchange rate will contribute directly to the slowdown of the price growth in the second half of this year. "It is the first step towards greater predictability of the dynamics of the currency exchange," he said. "As financial stabilisation strengthens it will be possible to consider transition to a "narrower corridor," Chernomyrdin said.

The Prime Minister said he foresaw political gains from the link-up of the rouble and the floating dollar exchange rate. According to him, financial stability will inevitably constrain political emotions ahead of the forthcoming elections.

In addition, those who have taken billions of dollars out of the country will have to think seriously about their return to Russia, Chernomyrdin predicted.

"The realisation of measures ensuing from the statement of the Government and the Central Bank will proceed within the framework of a sufficiently tough budgetary, monetary and crediting policy which has been pursued

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by the Government since the beginning of this year," the Prime Minister stressed.

He added that shifts for the better have become evident in the fulfilment of the 1995 federal budget. Along with this, the Prime Minister noted that the returns from privatisation, import duties and some other sources of revenue fell short of the target for the first half of this year.

In this context, Chernomyrdin said the main task of the Government was to improve the collection of taxes through toughening control over their timely payment.

He said the Cabinet of Ministers and the Central Bank were due to work out and implement additional measures in the field of the country's budgetary, monetary, crediting and currency policy.

"We have every possibility to solve all the main problems of financial stabilisation before the end of this year," the Prime Minister said. "And we are obliged to secure it."

The Cabinet approved the statement signed by the Government and the Central Bank on Wednesday [5 July] and adopted a government resolution to that effect.

Poltoranin Leaves Russia's Choice Faction

LD0607100495 Moscow ITAR-TASS in English 0921 GMT 6 Jul 95

[By Ivan Novikov]

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — Chairman of the Duma Committee for Informational Policy and Communication Mikhail Poltoranin has become an independent parliament member. He left the "Russia's Choice" faction due to political reasons and is now the fourth prominent Russian parliamentarian to sever relations with this movement, following in the wake of Gennadiy Burbulis, Andrey Kozyrev and Anatoliy Chubays.

Poltoranin links his step with the stand of Yegor Gaydar and his supporters in respect to the current composition of the Cabinet of Ministers. Poltoranin believes that the "Russia's Choice" faction had committed a major political blunder by voting for the government during the no-confidence debate. "The faction will realise that his was a blunder within the next half a year," Poltoranin told ITAR-TASS.

'Our Home' Bloc Seen Sure of Election Victory

MK0607110095 Moscow OBSHCHAYA GAZETA in Russian No. 27, 6-12 Jul 95 (Signed to press 5 Jul) p 8

[Report by Nikolay Troitskiy in the "Under the Rug" column: "Our Home Is Assigning Seats"]

[FBIS Translated Text] Activists of the Russia Is Our Home movement are so confident of their victory in the upcoming elections that they have already begun to distribute posts in the future Duma.

This did not pass without conflicts. According to an eyewitness, the latest session of the movement's Political Council saw a duel between two former fellow thinkers and colleagues in the Party of Russian Unity and Accord [PRES]: Vice Premier Sergey Shakhray and former Vice Premier Aleksandr Shokhin.

Whereas the former is considered to be one of the movement's forefathers, the appearance of the latter in Our Home ranks was expected by few: Only a month ago Shokhin left the PRES faction for ideological considerations. Even so, at a recent Our Home Executive Committee session Shokhin debuted as the author of the movement's economic program. According to a number of suspicious colleagues, Aleksandr Nikolayevich failed to survive the "free floating" in political waters and drifted into the Chernomyrdin bloc in the hope of recovering a seat in the government. But this was not to everybody's liking. The Political Council session rejected his candidacy for the responsible post of the bloc's election campaign leader: Among those against was Sergey Shakhray, who himself lays claim to this role and who from the very start was rudely elbowed away from a leadership position in Our Home.

Promptly pushing the uninvited rival aside, Shakhray was not ready to call it a day. Home's Political Council appointed him leader of its future parliamentary faction. This "futures deal" has no counterpart in domestic election practice and is rather ambiguous. If Home tenants are already sharing out the "skin" of a parliament that has not been elected yet, they are therefore sure that the voters will not disappoint their hopes — but everyone taken separately is not quite sure that he will not be let down by his comrades-in-struggle. In the run-up to the previous parliamentary elections, in fall 1993, Shakhray, for instance, planned to become the State Duma speaker, but his plans were not supported by the mass of deputies.

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Delegate Provides Details on UCP-CPSU Congress

MM0607104595 Moscow SOVETSKAYA ROSSIYA in Russian 4 Jul 95 p 3

[Article by Ivan Melnikov, candidate of physical and mathematical sciences and delegate to the 30th Congress of the Union of Communist Parties-Communist Party of the Soviet Union: "A Step Toward Unification"]

[FBIS Translated Text] The 30th Congress of the UCP-CPSU was held in Moscow 1-2 July. The delegates came from the communist parties of states formed on the territory of the former USSR. They represented over 1,300,000 Communists. The largest parties present were those operating in the Russian Federation, Ukraine, Tajikistan, Georgia, Belarus, and Armenia.

Not surprisingly, the delegates' speeches dealt mainly with the situation in their own republics. People wanted to describe how difficult the situation is and share with like-minded people their distress at the state to which a once prosperous and healthy society has been reduced. It was distressing. Generally speaking the situation in all the republics was described in roughly the same terms. The disintegration of the Soviet Union has reduced them to a grave state. People are particularly keenly aware of their lack of protection and rights. Science, culture, health care, and education, those very spheres on which the quality of the people's life depends, are suffering.

There was a great deal of polemic at the congress and many different views were expressed on ways of getting out of the dire state that we are in. There were interesting speeches describing experience of how to work in present-day conditions and achieve success — such speeches were delivered by comrades from Ukraine, Belarus, and the Communist Party of the Russian Federation [CPRF]. It was very useful for delegates from other communist parties to see real methods of struggle.

What are they?

Let us recall the situation existing in Russia in October 1993. It seemed to be one of total despair, apathy in society, and defeat. Two lines clashed in that difficult situation. One of them, the CPRF's line, consisted in the conviction that despite what had happened we needed to go on with the struggle and fight the elections. The other line was put forward by the representatives of other communist parties who declared a boycott of the elections and accused the CPRF of appeasement.

That question did not come up at the congress this time. Everyone understands that the CPRF made the right decision. There was much debate not about whether it is necessary to take part in the elections or not — obviously this is one of the main methods of our struggle in present conditions — but about how to win the elections and about how to make correct use of the people's real attitude. That attitude has not changed in favor of the authorities.

Even today, however, some leaders who addressed the congress spent less time talking about specific solutions to problems and more time, as V.I. Varennikov succinctly put it, trying to turn the congress into a scientific-practical conference designed to establish "who is the reddest." We have to come down from the clouds, get back to earth, and consider what specific things we can do for people in the present situation. The representatives of the largest parties based their speeches and their position on that approach. I believe that one of the reasons why some parties are large and others are not is that people are not interested in theorizing or the clarification of intraparty relations. People are joining a party of action. They are concerned about specific problems created by the change in life in today's very difficult conditions.

Those are the two lines. It is probably wrong to describe them as a struggle. But this is what is preventing a pooling of our efforts, sowing a certain confusion in people's minds, and undermining Communists' authority.

Of course, everyone agreed that the main task facing the UCP is to restore power to working people, recreate the union state, and give people back the social gains and guarantees that they have lost.

The congress adopted a new version of the program in place of the one adopted at the 29th congress. By and large two viewpoints clashed here. One view, put forward by the majority of parties actively involved in the political process in their republics, was more realistic than the other and was based on the situation that has actually developed in the republics. The other viewpoint expressed what we would like to achieve generally if we ignored the reality. For example, one delegate's speech expressed the opinion that the program should include the immediate return of ownership and power to the working people and the immediate restoration of the Soviet Union. Of course, not all delegates were opposed to the idea of such immediacy and thought that it would be good if all that has been lost could be regained this week. But you have to take a realistic view of things.

At the end of the debate a program was elaborated which reflects the existing state of affairs and the alignment of forces. It is no coincidence that the section entitled "main aims of the UCP-CPSU" listed in first place the restoration of people's power in the form of the Soviets of Working People's Deputies, labor collective councils, and other forms of popular self-government. Further

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progress will be possible on this political and legal basis — progress toward the working people's social and economic protection, the restoration of public ownership of the main means of production, the return to a socialist development path, the termination of bloody conflicts, and the recreation of a renewed Union of the Soviet Peoples.

This is a more realistic and well-considered approach.

The delegations from the Russian Communist Workers Party, the Union of Communists (A. Prigarin), the Union of Communists of Ukraine, and the Russian Party of Communists (A. Kryuchkov) disagreed with the new version of the Union's Program and inserted a dissenting opinion on this question into the congress' decision.

Changes and additions were also made to the Rules of the UCP-CPSU. Given that we have managed to bring the Rules into line with present realities we should also change the name of the Union of Communist Parties. In this connection the CPRF, the Party of Communists of Belarus, and the Communist Party of Armenia issued a statement which said that they regard the UCP as a voluntary international association of fraternal parties formed on the USSR's territory. It was and remains their belief that this association represents not a single unitary party but a Union of Communist Parties with equal rights operating autonomously on the basis of their own programs and rules. On the basis of that principled approach congresses and other collective organs of these parties adhere firmly in their decisions to the view that the name of the international Union of Communist Parties — the "UCP-CPSU" — contains an inner contradiction in that the concept of a "Union of Communist Parties" and a single "Communist Party of the Soviet Union" are not synonymous. Furthermore, this dual interpretation of the UCP-CPSU does not tally with the requirements of legislation existing in those countries and could lead to a restriction of the activity of the communist parties in the political and other spheres. In particular, such a provision will prevent the many-thousand-strong communist parties of Belarus and Armenia from entering the Union of Communist Parties.

In view of the aforementioned decisions of the leading organs, the CPRF, the Party of Communists of Belarus, and the Communist Party of Armenia stated that they can regard themselves only as equal members of the Union of Communist Parties (UCP) operating on the territory of the USSR. If the question of the character and title of the UCP is interpreted in such a clear and unambiguous way the Party of Communists of Belarus and the Communist Party of Armenia could join it.

However, the result of the congress vote on the Union's name was that the majority opted to retain the old title — UCP-CPSU. In this connection the CPRF delegation asked that its dissenting opinion on the question of the Union's name be included in the congress decision, and this was done.

The question of the unification of all parties of a communist persuasion was particularly acute at the congress. Delegates were worried that several communist parties are operating on the territory of the Russian Federation and that their actions are not properly coordinated. The situation regarding the forthcoming elections is especially worrying.

As for a general assessment of the congress, this was undoubtedly a step toward unification and a coordination of efforts because the congress adopted a version of the program which was supported by virtually all the parties from the republics. The participation of many parties in the congress' work and the experience of those communists who are conducting an active struggle in their republics will give them strength and provide an impetus to the activation of work.

The congress formed a coordinating organ — the UCP-CPSU Council. The first plenum, held immediately after the congress ended, elected Oleg Semenovich Shenin as council chairman.

Primakov Background, Ties, Views Profiled

954F2671A Moscow MOSCOW NEWS in English No. 23, 16-22 Jun 95 p 7

[Article by Nataliya Gevorkyan and Azer Mursaliyev: "The Four Lives of Yevgeniy Primakov"; first paragraph is introduction]

[FBIS Transcribed Text] Yevgeniy Primakov, head of the Foreign Intelligence Service (FIS) of the Russian Federation, is one of the few close associates of Gorbachev who has retained his position in the present establishment. Although from an earlier era, he remains influential in the present and has great prospects for the future. A Loyal Careerist

Primakov was included among the "Tbilisi lobby" in Moscow. Having grown up in a cosmopolitan district of Tbilisi inhabited by Georgians, Armenians and Jews (the leader of "Mkhedrioni" Dzhaba Ioseliani is from the same district), Primakov speaks fluent Georgian and Armenian. Among his Moscow friends, there are quite a few natives of Georgia — Burakovskiy, the well-known heart surgeon who died recently, and Lev Onikov, ex-staff member of the CPSU Central Committee. It was from Georgia that he was nominated for election as a deputy of the USSR Supreme Soviet. It is rumored that after the return of Shevardnadze to Tbilisi, Primakov suggested that Georgian secret service officers

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be trained free of charge in Moscow. It is said that he maintains good relations with Georgadze, the present boss of Georgia's security service and considered to be a protege of Moscow.

Primakov's early biography contains nothing particularly noteworthy. His rise to prominence had no major setbacks. Having graduated from the Institute of Oriental Studies in Moscow and post-graduate courses at Moscow University, he worked for some time at the USSR Gosteleradio (State Committee for Television and Radio Broadcasting). Then he worked at Pravda, which sent him to the Middle East as correspondent.

The rumors that Primakov was involved with the intelligence service since that time are not groundless. The retired KGB general Oleg Kalugin maintains that about two thirds of Soviet correspondents abroad were linked to the KGB

The character of Primakov's work during that period makes it possible to make conclusions about his connection with "secret diplomacy." He frequently visited Northern Iraq where Kurdish guerillas operated. His acquaintance with Saddam Hussein originates from this period.

Friendship with the Iraqi president came in handy on the eve of Desert Storm when Gorbachev, in an attempt to stop the allied attack on Iraq, sent Primakov to Baghdad, and then to a number of Western and Arab capitals. This trip irritated the West and did not prevent the war, but it strengthened the friendship of Primakov and Hussein. A Moderate Centrist

His contacts with the KGB continued after his return to Moscow in 1970. From 1970 to 1989 Primakov worked at the USSR Academy of Sciences, first as deputy director of the Institute of World Economics and International Relations (IMEMO), and then, having worked as director of the Institute of Oriental Studies, returned again to IMEMO, but this time as its director, replacing Alexander Yakovlev whom Gorbachev returned to party work. The institutes headed by Primakov carried out research at the behest of the KGB and the country's leaders. It must be recalled that early in the 1970s a group of moderate centrists was formed in scientific circles close to the country's leadership. The leading experts for the country's leaders on foreign policy, academicians Arbatov, Inozemtsev, Yakovlev and Primakov were members of the group which prepared the ideological lining for Brezhnev's detente. A Liberal

With the beginning of perestroika, Yakovlev and other members of the group of moderate centrists were called up from institutes into politics. This "Yakovlevite" wing, set against the background of conservative "followers of Ligachev," gained the reputation of being liberals. Primakov, elected as people's deputy from the CPSU, in June 1989 headed the Soviet of the Union of the USSR Supreme Soviet. In 1990 he joined the presidential council, and in 1991 became a member of the Security Council of the USSR. Holding these posts, Primakov continues to be involved in foreign policy, and even more...

Connected with his name is one of the most bloody events of the Gorbachev period — the January developments in Baku. Primakov began to "supervise" Azerbaijan from the autumn of 1989, when the local Popular Front, having launched a large-scale strike movement, resorted to force against the republican authorities and Moscow. On behalf of the country's leadership Primakov conducted talks with the opposition, and on the eve of the events, together with a group of high-ranking officials, arrived in Baku.

At a press conference held after the arrival of troops, Primakov gave a sharp rebuff to foreign journalists, declaring that the incident was an internal affair of the USSR. A Tough Conservative

On September 30, 1991 Primakov was approved as director of the Central Intelligence Service, detached the day before from the KGB by its new boss Leonid Bakatin. He represented a middle path in the disputes for key posts between Gorbachev and Yeltsin, just as Bakatin. The Belovezhskaya Pushcha agreements in December 1991 washed away the "followers of Gorbachev" from the political proscenium. The Central Intelligence Service was renamed the Foreign Intelligence Service of Russia, but to the general surprise of observers, who did not promise Primakov a long career in Yasenevo, he did keep his post. Since then the bosses of Lubyanka and the roster at the former KGB changed at an unnatural speed. But nothing dramatic happened to the secret service in general.

It is hard to say what helped Primakov to win the trust of Yeltsin. An experienced analyst at the head of the secret service, ready to work for the new power, he was of obvious use. Furthermore, it is risky to pester intelligence services too much — the authorities realize well to what international and domestic scandals the secret service is susceptible.

The stability of Primakov as head of the secret service no doubt shows that he played his game with the top leaders and continues to play successfully. But what about the grassroots? The intelligence officers who welcomed the changes, having observed his first steps, came to the conclusion that he is a temporary man whose task is to ensure a stable transition. In their opinion fixed-post spy offices and the central

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apparatus were reduced at the expense of the supporters of changes, whereas Kryuchkov's personnel were kept. The 30-40 percent reductions in the provinces and in the center affected the "genetic fund" of the secret service — middle management aged 38-45. These were directors of operations, deputy heads of departments and deputy fixed-post spies.

In 1993 only one fixed-post spy office was shut down. During this year there was no information about Foreign Intelligence Service officers deserting to the other side. In 1991-1993 the FIS was criticized by the press, whereas in 1994-1995 the number of critical publications noticeably decreased. Some scandals were even interpreted in a favorable light. The Aldrich Ames case, for example: naturally, it is a pity that we lost our "mole" in the CIA; but my, what a bigwig they recruited and milked for so long!

All the gossip about the resignation of Primakov remained just that: gossip to which Yeltsin, in his speech at Yasenevo on April 26, 1994, respectful to intelligence officers, finally put an end.

Intelligence officers point out among Primakov's innovations the emphasis on analytical work by enlisting experts from other departments, academic institutes and political scientists. This work did not go unnoticed. During his visit to the FIS, Yeltsin drew attention to its merits: "I must say that the FIS is highly regarded in the system of Russian state power. I expect that in the future your operative information, analytical conclusions and recommendations will be highly appraised."

Having avoided a confrontation with the power structures, Primakov's service failed to establish mutual understanding with the Foreign Ministry. On December 26, 1993 an FIS report was published, describing the expansion of NATO eastwards as running counter to Russia's interests. But the likely entry of Russia in it is also recognized as a dubious venture. At the same time, the stand of the foreign ministry is made public: no threat to Russia in NATO is observed, each state has the right to ensure its security as it considers it necessary, and the expansion of NATO without Russia is counter-productive and harmful for Russia. The doubts as to which policy was supported by the president were dispelled on the next day by Kostikov, the president's press-secretary, who declared that Primakov's apprehensions were shared "by the army and the citizens of Russia and by the forces which are concerned with the strategic interests of the country."

This report also had other consequences. In the West Primakov became reputed as a tough politician connected with the conservatives and the elite. And in this connection, the persistent rumors about the replacement of Kozyrev with Primakov do not arouse any enthusiasm abroad.

The secret of Kozyrev's failure and the success of Primakov lies hidden in two documents. The first is Yeltsin's speech in Yasenevo. The second is the report of the FIS "Russia — CIS: Does the Western Position Need To Be Corrected?" made public five months later. In fact, the second document is a detailed and well argued version of the first.

Media Issues

Broke Communist Weekly Suspends Publication

MM0607115795 Moscow PRAVDA in Russian 6 Jul 95 p 4

[Message from PRAVDA ROSSII Chief Editor Gennadiy Seleznev: "To PRAVDA ROSSII's Readers"]

[FBIS Translated Text] Today's issue of PRAVDA ROSSII is being published only as a supplement to SOVETSKAYA ROSSIYA. Readers will receive the next issue in mid-August.

No, the Communist Party of the Russian Federation Central Committee is not going to stop publishing PRAVDA ROSSII, but it is of course hard to publish in its current 440,000-copy print run. We hope that during the break it will prove possible to strengthen the newspaper's financial position, get a head start with various articles on party life and on the means of extricating the country from the crisis, and in September once again ensure the regular publication of the party publication. Communists, readers, and PRAVDA ROSSII have a lot of work and crucial tasks ahead.

In the current issue the editorial office acquaints readers with the resolutions adopted by the 30th Congress of the Union of Communist Parties-CPSU held Saturday and Sunday [1-2 July], provides graphic illustrations (a bloc of diagrams and tables) of Russia's development five to seven years ago and the lamentable state of the country today, and reports on the formulation of a version of the theory of the development of the present-day world and socialism. The reader will be able to learn how in 1942 the Soviet soldier had to fight on two fronts in Chechnya — against the Germans and against the Chechens who helped the enemy — and also compare our erstwhile "privileges" with the blessings that the present authorities have given us.

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Military Issues

Power Structure Vets Reject Political 'Extremes'

MM0507134095 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 4 Jul 95 p 5

[Russian Federation President Edict No. 634 "On Measures To Promote the Activity of the 'Russian Military Brotherhood' Public Organization," signed by Russian Federation President B. Yeltsin in Moscow on 23 June 1995; followed by "Commentary" by Vitaliy Kremlev, president of the "Russian Military Brotherhood"]

[FBIS Translated Text] In connection with the creation of the "Russian Military Brotherhood" public organization (hereinafter the Russian Military Brotherhood), which aims to promote the strengthening of statehood and defense capability along with military-patriotic education and extrabudgetary funding for military social programs, I decree that:

1. The Russian Federation Government is to examine the question of ratifying the Statute on the Russian Military Brotherhood and providing it with comprehensive assistance in its activity.

2. The Russian Federation Presidential Staff is to be assigned the responsibility of coordinating the work of promoting the activity of the Russian Military Brotherhood, enlisting other interested federal executive organs in the process.

3. Russian Federation components' state organs and local self-government organs are to be advised to adopt decisions on the provision of the requisite aid in organizing the activity of regional organizations of the Russian Military Brotherhood.

4. The Russian State Committee for the Management of State Property is to resolve the issue of providing the Russian Military Brotherhood with official premises in Moscow and other cities in coordination with interested organs of Russian Federation components.

5. This Edict comes into force from the day it is published.

[Signed] Russian Federation President B. Yeltsin

[Dated] 23 June 1995, the Kremlin, Moscow

Commentary

Our association was founded 21 February this year and was officially registered by the Ministry of Justice 31 March. We see our main aim as being to pool the efforts of all power structure veterans in strengthening Russian statehood, patriotic education for young people, and social protection for those who have devoted their efforts, health, and knowledge to serving the Fatherland without dividing them up in terms of departmental affiliation.

Naturally nothing can be done now without considerable financial backing. That is why we have been working vigorously with commercial structures. We found definite support and created our own fund. We will continue the work in this direction.

Naturally, with the Federal Assembly elections drawing near, many people are interested in whom our association intends to support. We primarily advocate common sense and do not accept extremes in politics, no matter which quarter they come from. Therefore representatives of central bodies, be they on the right or on the left, will be greeted with understanding.

Grachev Says Air Defenses 'Reliable'

MM0507152995 Moscow KRASNAYA ZVEZDA in Russian 5 Jul 95 p 1

[Report by Aleksandr Pelts: "Defense Minister's Working Tour"]

[FBIS Translated Text] A working tour by Army General Pavel Grachev, Russian Federation Defense Minister, of missile defense and air defense units and subunits which ensure the Russian capital's security began 3 July.

In the afternoon of 3 July the defense minister arrived at a missile attack warning system command post located in the Moscow region. Here he listened to a report by Lieutenant General Anatoliy Sokolov, strategic formation commander, visited command post duty stations, where he observed team actions, and talked to servicemen performing duty in the communications command center.

After listening to the strategic formation commander and meeting command post personnel, Army Gen. Grachev stressed that what he had heard and seen there testified to the reliability of the existing missile attack warning system and to the readiness of teams and crews to act in a combat situation. "On the whole I am satisfied with their work," he stressed.

At the same time the defense minister noted the need for further technical improvement of the missile attack warning system. Some of its obsolete elements must be replaced by newer ones, work on which has already begun in Russia. As they are finished they will be incorporated into the missile attack early warning system. Army Gen. Grachev expressed his confidence that as a whole this work would be completed by 2005, when the missile attack warning system and space monitoring system will have been completely renewed.

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At the request of journalists Army Gen. Grachev briefly commented on the situation that has developed following the tragic events in Budennovsk and talked about the decisions adopted in connection with it. First of all he noted that these events did not leave the Army indifferent. He reported that he had been touched by the support expressed in numerous telegrams and that he valued it greatly. But at the same time the minister noted that the Armed Forces were a state armed organization and that no political battles should affect their condition. The Army is the guarantor of the Russian state's stability and security. Currently society does have respect for servicemen, the Army general went on, and this feeling must not only be supported but also developed, and disunity or political expediency must not be allowed in the Army environment.

Nor did the Russian Federation defense minister overlook questions of the social protection of servicemen. Despite the enormous and, to be more precise, vitally important work for the entire country which ABM defense combat details are doing, all the Army's difficulties are fully felt here. The main problems, of course, relate above all to funding. In conversation with the communications command post personnel, the defense minister talked about the problems which the military leadership is currently having to face. These have emerged as a result of a state budget that has not been properly thought out as regards to military expenditure. This is reflected above all in the payment of wages. Under these circumstances the state's debts to the Defense Ministry, which currently amount to 7.2 trillion rubles, are of particular concern. Despite this situation, he concluded, we will be taking all the necessary measures to provide for servicemen.

On 4 July Defense Minister Army Gen. Pavel Grachev visited the Moscow Air Defense surface-to-air missile unit commanded by Lieutenant Colonel Aleksandr Shaparskiy. There he observed the work of the unit command post's combat detail and the operations of two surface-to-air missile battalions commanded by Major Oleg Marchuk and Lieutenant Colonel Vadim Arefyev. They demonstrated not only the state-of-the-art S-300 surface-to-air missile system, but also the preparation and deployment of the system from on the move to ready to fire.

The defense minister made a high assessment of the servicemen's training, stressing that they will have to operate understaffed owing to the manpower shortage. Thus, for instance, one officer in the detail is doing the jobs of three servicemen — launcher driver, detail commander, and operator.

This situation, the Russian Federation defense minister summed up, is typical of virtually all air defense units. But even under these difficult circumstances we must not allow standards of combat readiness to drop, since we are talking about the air defense of not only the capital but of the entire Moscow industrial region, where many installations, both military and strategic, are located. After his working visit to the unit Army Gen. Pavel Grachev, Russian Federation defense minister, stressed that "it was important for me now to see for myself the effectiveness and reliability of the entire air-defense system for Moscow and the Moscow industrial region, which was adopted not so long ago. Of course, certain improvements are needed, but we are convinced that it is very reliable and effective and that the men are superbly trained."

On the basis of the results of his work in the unit, Army Gen. Pavel Grachev, Russian defense minister, promoted unit commander Aleksandr Shaparskiy to colonel ahead of schedule. The battalion commanders were presented with wristwatches.

The Russian defense minister's tour of Moscow Air Defense district units and subunits is continuing.

After Reshuffle, Grachev's Future Seen Assured

MK0507131095 Moscow MOSKOVSKIYE NOVOSTI in Russian,
No. 45, 2-7 Jul 95 (Signed to Press 4 Jul) pp 1, 4

[Report by Natalya Gevorkyan, Vladimir Yemelyanenko, Aleksandr Zhilin, Lyudmila Leontyeva in the "Epicenter" column: "Reliable Communication Lines Are What Has Saved Military Leader Grachev. What Will the Next Draft Be Like?"]

[FBIS Translated Excerpt] Defense Minister Pavel Grachev is the only one among the "power ministers" directly responsible for the Chechen tragedy who has retained his post. How to account for this fact? Today there are at least three versions.

According to the first one, Pavel Grachev is the president's reserve against the eventuality of another sacrifice. Then it is not ruled out that Grachev will be kept on as head of the military department until the Chechen war ends. So far the president has decided not to touch the minister. This is not least due to the fact that his actions can at any moment jeopardize peace talks in Groznyy.

The second version circulating in the Kremlin is that Grachev's resignation will be "read" as yet another act of disrespect for the army. True, given the defense minister's lack of authority among the officer corps, this version appears the least convincing.

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There is also a third version. Not so long ago the defense minister himself suggested that all structures connected with the use of arms should be subordinated to the Defense Ministry. In other words, the supreme commander should have a backup [dubler] in whose hands the entire military might would be concentrated. And therefore power.

Another variation of this project envisions the creation of a super-agency, possibly a military committee under the president, to which all power departments would be answerable. Considering the warm relationship between Boris Yeltsin and Pavel Grachev, it is clear who will head this committee. In this event it will be possible to appoint a civilian to the post of defense minister. For instance, Andrey Kokoshin, whose draft nomination, according to information from the General Staff, has been already prepared. This option appears the most likely. It allows Yeltsin to preserve Grachev, formally moving him into the chair of military committee chairman.

Pavel Grachev Sticks to His Guns?

According to a source in the Defense Ministry staff, there is a certain draft presidential edict. The document is aimed at the so-called global reformation of the Armed Forces. All troops are indeed to be subordinated to the Defense Ministry chief. (Presumably until a military committee under the president is created). The command and control bodies and staffs of the border guard service, the Ministry of Internal Affairs, the Federal Security Service, and so forth will be preserved but perform representative functions, so to speak.

Given the extent of the defense minister's influence on the president, this turn appears quite realistic. Especially considering that, according to sources from the presidential staff, an edict was recently drafted on granting Pavel Grachev the rank of marshal.

If the above suppositions materialize, the events in Budennovsk will take on a slightly different color. Even now some experts hint that Pavel Grachev has done everything possible to "topple" his rivals — Sergey Stepashin and Viktor Yerin — in the fire of the tragedy. In any event, public criticism of his erstwhile "comrades in arms" came from the "best minister of all times and nations" at the moment when the tragic events in Budennovsk were at their height. [passage omitted]

Yevgeniy Kuznetsov: A Culprit or a Victim?

Stavropol Kray administration head Yevgeniy Kuznetsov learned about his dismissal from TV reports.

What made Chernomyrdin agree to the dismissal of the Stavropol governor?

Apart from the generally known versions, there is still another one.

The Budennovsk events could become a favorable formal cause for dismissing the governor to make way for a creation of influential people in the presidential and prime ministerial staff. The person in question is Aleksey Kulakovskiy, 40, chief administrator of the specially protected ecological-resort region of Mineralnyye Vody in the Caucasus. The rapid career of this former chief of a resort building construction administration is amazing to an outsider. In 1990 he was elected to the Russian parliament on the wave of the democratic movement. Since then the young and ambitious politician has placed his bet on unqualified support for Boris Yeltsin and has won his special confidence, receiving the mandate of a presidential representative in Stavropol Kray. Kulakovskiy unleashed hectic activity also in the presidential entourage.

The result was breathtaking: In March 1990, under Presidential Edict 309, a constitutionally dubious territorial formation was created as part of Stavropol Kray: A specially protected ecological-resort area, with Kulakovskiy appointed as its chief.

Very soon Kulakovskiy became a member of the Federation Council and began actively to form his own territorial structures: the prosecutor's office, the police, the tax inspection, and privatization committees, forcing kray deputies to talk about a "trend toward demonstrative separatism." But Kulakovskiy is loved at the top. Soon a government decree appeared on a federal program for the development of the "special" region.... By the anniversary of the three-year old territorial monster Kulakovskiy received yet another priceless gift: Russian Federation Government Resolution 1430 "On the Special Economic Zone Within the Boundaries of the Caucasus Mineralnyye Vody."

Kulakovskiy has free access to many government offices and obviously outstrips Kuznetsov in the amount of "useful connections" with the upper nomenklatura. There are legends about Kulakovskiy's ability to arrange the pastime and recreation of the Moscow elite in his "special region" in great style.

In a word, the idea to promote their creation in the run-up to presidential elections was surely discussed in Kremlin offices. Kulakovskiy's possible appointment to the post of governor therefore looks quite feasible.

The ruthless dismissal of the Russian governor has produced a depressing impact on the local elite not only in Stavropol Kray but also in the Caucasus region. People here believe that the next victim of unpredictable presidential cadre purges can be any top provincial

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official. There will be no problem finding a reason — or a corresponding article in the Labor Law Code — for dismissal.

In their 1 July letter to Yeltsin, Chernomyrdin, Shumeyko, and Rybkin, heads of Stavropol local administrations wrote: "Russia's shame — the unleashing of the military conflict in Chechnya and the Budennovsk tragedy — has been shifted onto the shoulders of the kray and its governor."

Federal Assembly

Deputies Regret Failure of Second No-Confidence Vote

MM0507141995 Moscow PRAVDA in Russian 4 Jul 95 pp 1-2

["Parliamentary Diary" by Valentina Nikiforova: "Passions Seethe, but as You Were"]

[FBIS Translated Text] The question of no confidence in the government was on the agenda again on Saturday 1 July, at the extraordinary sitting of the State Duma. On the first occasion, 21 June, 241 deputies voted no confidence. The premier and the president did not accept this assessment and forced the deputies (contrary to the Constitution) to assess the government once again, favorably, of course. And they labored to that end: The entire week they anticipated Saturday's action with a series of meetings with factions and individual deputies. They even dismissed ministers V. Yerin and S. Stepashin, vice premier N. Yegorov, and Stavropol Kray governor Ye. Kuznetsov. Clearly, they were very keen to win confidence.

But these maneuvers did not deceive anyone. So on the morning of 1 July the deputies were greeted by a picket outside the State Duma building. There was all manner of slogans and appeals from assessments of the situation — "Down with the capitalizing reforms! Put Yeltsin and Chernomyrdin on trial!" to demands — "Bring back the Soviet Union!" "We demand a referendum on the question of abolishing the presidency in the Russian Federation!" And the quiet, optimistic call: "Honesty and hope will prevail."

Speaking on behalf of their factions, M. Lapshin, G. Zyuganov, and S. Glazyev insisted that no one could have confidence in this course, that it could not provide stability because the loathsome A. Chubays, S. Shakhray, and A. Kozyrev were peeping out from behind premier V. Chernomyrdin. A.V. Zhirinovskiy painted a horrendous picture of the situation if this government were to remain in power.

But there were others who like to see the entire country suffering paroxysms. Of course, you have Gaydar's "Russia's Choice," the very strange "Stability" group, and certain independent deputies. It was very strange to see A. Nevzorov, the arch-exposer of evil, among this company. The Duma fell 50 votes short of the first vote of no confidence: The conversations with the premier and the president had worked. Those no longer voting for no confidence included V. Lukin, G. Yavlinskiy, V. Sheynis, V. Averchev, M. Zadornov, and P. Shchelishch — "Yabloko." G. Yakunin, S. Stankevich, and L. Ponomarev were among those not in a faction who changed their opinion. There was a striking change of attitude toward the government during the week in the PRYeS: A. Arinin, S. Bagautdinov, S, Boskholov, V. Kozhemyakin, G. Melikyan, S. Polovnikov, A. Sliva, and S. Shapovalov changed their opinion in the government's favor. There were changes also in "Women Of Russia": The number of no-confidence voters fell. Zh. Lozinskaya is now the only one in the faction who has no confidence in it; the rest refrained from expressing an opinion. The most "independent" (that is how they describe themselves) deputies in the "New Regional Policy" group turned out to be the most dependent: On 21 June 20 deputies voted no confidence; on 1 July it was three. The total number of no-confidence votes was 193 instead of the required 226. V. Chernomyrdin expressed his gratitude right away by solemnly collecting from the State Duma chairman his statement demanding that the question of confidence be presented for debate again. And he delivered, no, read out a speech that befitted the solemn occasion. All's well, then?

Mikhail Lapshin, chairman of the Agrarian faction:

"All the problems are still there after the vote. Both government and parliament have to consider how they are going to resolve them. The faction, the bulk of it, voted no confidence."

[Nikiforova] "But as a result didn't the State Duma lose credibility as a legislative organ?"

[Lapshin] "I think not. On the contrary, the Duma displayed wisdom. Politicians need credibility in life, not in the Duma. The main events take place where people live. What happened here was a tempest in a teacup — no more than that. A miniature war. It ended as ingloriously as it had begun."

Anatoliy Ionov, member of the Communist faction:

"Our faction did not change its position; we again voted no confidence."

[Nikiforova] "And what do you say to the voters, for example, at your plant in Ryazan?"

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[Ionov] "What I say is that in the December elections people should take a more responsible view of the candidates and vote for those they know well, who are capable of upholding their interests."

Vladimir Isakov, chairman of the Committee on Legislation and Legal Reform:

"The way the crisis was resolved indicates that it was not a crisis, but a mere soap bubble — no more than that."

Oleg Shenkarev, member of the Communist faction:

"The vote once again demonstrated that the arrangement of forces in all branches of authority does not favor the population. The 47 Communists are unable to get laws that people need passed, and they are unable to block those imposed by presidential forces. So we need to prepare for and hold well-organized elections in December in order to have a majority in parliament. Then we will be able to form a government ourselves. The most important thing of all is to change the Constitution so that the government is controlled by the legislative authorities. We must have Soviet power!"

Sergey Glazyev, chairman of the Committee on Economic Policy:

"For a start, we need changes in the government. As long as people like Anatoliy Borisovich Chubays, who is personally responsible for all the chaos in the economy, remain in power, they will conduct policy in their own interests, not in society's interests."

Vyacheslav Nikonov, member of the PRYeS faction:

"Yeltsin has overfulfilled his dismissal plan. He has even dispatched those who did not ask to go."

[Nikiforova] "Do you sincerely believe that the present government can do anything?"

[Nikonov] "I see no one in Russia at the moment who could do anything else — or do it better. The economic and political situation is so complex that the choice is narrow. We have seen this time and again: There may be a change of government, but the course will remain the same as it was, with minor variations."

[Nikiforova] "And how does the political land lie following the vote?"

[Nikonov] "The president and government have strengthened their positions as a result of the crisis. The Duma is weaker, unfortunately. As for the arrangement of party forces, I do not think that the no-confidence vote changed the balance in any way or influenced it: Both sides demonstrated their weakness, rather than strength."

[Nikiforova] "To what extent was today's vote planned?"

[Nikonov] "What happened today was certainly completely planned."

[Nikiforova] "Are you familiar with Sergey Glazyev's program?"

[Nikonov] "It is one of many programs, and like all the others it is not feasible."

[Nikiforova] "Are you happy with the way the crisis ended?"

[Nikonov] "It is a good outcome. Although the Duma came out of it weaker. But what is good is that for the first time a compromise was reached — something Russia was lacking."

Viktor Sheynis, member of the "Yabloko" faction:

"I am absolutely sure that the entire 'Yabloko' faction, and not 18 people, would have voted against confidence in the government had it not been for the decisions on the dismissals. Two factors were decisive: the series of dismissals and the serious negotiating stance adopted for the first time in all the months of the terrible Chechnya war by the Russian delegation. I did not participate in the vote, but I respect the position of those who do not have confidence in the present government."

Vasiliy Lipitskiy, who is not in a faction:

"I am sorry that we were unable to confirm our position and pass a vote of no confidence again. The only positive thing is that the conflict was resolved constitutionally."

Anatoliy Kashpirovskiy, members of the Liberal Democratic Party of Russia faction:

"We are doing the wrong things at the moment. If you have a bad president you will have a bad prime minister, bad ministers, and bad citizens. If the president is drunk the country will be drunk. So what we should be talking about now is not removing the government (it does not have the proper powers to be a good government), but about removing a totally unnecessary and (as a psychotherapist I can say this) extremely sick man, who has made the country sick as well."

Oleg Mironov, member of the Communist faction:

"Today the State Duma was deciding the fundamentally important question of no confidence in the government. Unfortunately, some deputies have changed their minds in the space of only 10 days."

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[Nikiforova] "On 19 July the premier will deliver a report to the Duma on the socioeconomic situation in the country. Will the no-confidence theme resurface?"

[Mironov] "It could."

[Nikiforova] "At the last sitting, in June, you proposed starting the procedure to impeach the president (remove him from office)."

[Mironov] "Some 163 signatures were collected. Documents were prepared and candidates were put forward for the commission that will handle the formalities. I think the question will be raised at the next Duma sitting."

Everything is leading toward the logical end of the regime that brought counterrevolution to the country. No, confidence in the government does not mean the end of the crisis. You have to look at the roots of it. The Communist Party of the Russian Federation saw the ills the regime would bring and one year ago started to collect signatures for an early presidential election. More than three million were collected. They are not being kept in cold storage; they were announced at the State Duma sitting. Isn't it time to use them?

Federation Council Decries Stavropol Governor's Dismissal

LD0507171395 Moscow ITAR-TASS World Service in Russian 1334 GMT 5 Jul 95

[By parliamentary correspondent Lyudmila Yermakova]

[FBIS Translated Text] Moscow, 5 July (ITAR-TASS) — Today the Federation Council gave its consent to the release of Yevgeniy Kuznetsov, member of the Federation Council and the head of administration of Stavropol Territory, from his post. In doing so, the house drew the president's attention to the fact that though it was done at Kuznetsov's personal request, his release was implemented in violation of the law on the status of a deputy of the Federation Council.

Speaking at a council sitting, Kuznetsov said that he "had no moral right to remain the leader of the Stavropol Territory after the Budennovsk tragedy." Whatever security measures I may swear to have taken, I still failed to prevent casualties among the population, he added. Vladimir Shumeyko said that as a member of the Security Council he had voted against the dismissal of Kuznetsov. Many deputies of the Federation Council hold that Kuznetsov is not to blame for the incident. However, after a discussion the deputies complied with Kuznetsov's decision to resign from his post.

The chamber adopted a resolution recommending to the Russian Federation president allow the election of the head of Stavropol Territory to be held simultaneously with the elections to the State Duma and Federation Council. Yevgeniy Krestyaninov, the chairman of the commission for procedural regulations of the Federation Council, announced that this issue was being raised at the request of the heads of district administrations and residents of Stavropol Territory, as well of Yevgeniy Kuznetsov himself who considers that "there is no other way of establishing accord in the Territory".

The Federation Council also gave its consent to the release of Nikolay Yegorov from the posts of vice premier of the government and minister of nationalities affairs. There was no discussion in this connection. Incidentally, deputies also drew the president's attention to the violation of Article 24 of the law on the status of deputies as, despite the fact that Boris Yeltsin had informed the Federation Council about his decision, the procedure for and sequence of this action had been breached.

Debate on Paramonova Linked to Premier's Speech

MK0607102095 Moscow KOMMERSANT-DAILY in Russian 6 Jul 95 pp 1, 3

[Report by Boris Boyko: "State Duma on Central Bank Chairman. Tatyana Paramonova Is Still Candidate Number One"]

[FBIS Translated Text] "In the Central Bank, there is no candidate better than Tatyana Paramonova," said former Central Bank chairman Viktor Gerashchenko in the State Duma yesterday. Giving over virtually the whole of yesterday to waiting for a debate on a candidate for the position of Central Bank chairman, Viktor Gerashchenko and Tatyana Paramonova, when they were leaving the Duma chamber, did not hide their satisfaction with the course of events. After a long debate and five repeat votes, the lower house of parliament deputies decided to postpone once again the discussion of the candidate for the position of Central Bank head. This time, until 19 July. Considering Paramonova's weak positions in the Duma, the adjournment gives her another chance to secure the required number of votes.

To tell the truth, the parliamentary opposition is denying her this chance. The fact that the numerous votes in the Duma amounted to a decision to combine a debate on the candidate for the position of Central Bank head with Viktor Chernomyrdin's progress report on the country's socioeconomic situation in the first quarter, scheduled for 19 July, means only one thing: the front of the offensive against the government's economic policy also includes the position of Central Bank chairman. It is the premier's proposed report that gave some

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deputies the idea to postpone the discussion of Tatyana Paramonova as candidate for the position of Central Bank chairman. The arguments advanced were plain: if the Duma fails to approve Paramonova, this would allegedly give the premier a chance to plead in his report that he is not responsible for the current monetary policy, and pass the buck to Paramonova.

Despite the fact that the postponement of the debate idea was first suggested by the Communist faction, the Duma displayed a touching unanimity: the idea was unreservedly backed by the leaders of the "Yabloko," Democratic Party of Russia, Liberal Democratic Party of Russia, and "New Regional Policy" factions. The key role was played by Ivan Rybkin: trying at first to get this question through without voting, he then, throughout the first half of the sitting, was constantly proposing to discuss it until the question was passed in the required wording.

A bit later, Rybkin confirmed the suspicion that his persistence was based on a scenario agreed in advance with the head of state. He told the deputies that he talked during the recess with Boris Yeltsin and Viktor Chernomyrdin, who agreed with the proposal to adjourn the Paramonova debate until 19 July. Thus, the 19 July State Duma sitting agenda will include the premier's account of what the government did in the first half year, an additional report by acting Central Bank chairman Tatyana Paramonova, and a report by Finance Minister Vladimir Panskov. Only following this will there be voting on the candidate for the position of Central Bank head. In principle, the way the question is raised, the result of this voting may be largely predetermined as early as in the process of preparing the final decision on Chernomyrdin's report. If the State Duma takes this report into consideration without once again demanding the resignation of the government, one can consider Tatyana Paramonova as confirmed in the position of Central Bank head. Should the Duma use the government report as an occasion for yet another show of ostracism, Paramonova would be blackballed. It is this scenario that "Yabloko" leader Grigoriy Yavlinskiy expected, emphasizing that the question of Central Bank head should not be turned into a question of Tatyana Paramonova's personality. It should be viewed in a broader context of the current ruling establishment's economic policy.

Curiously, there are legitimate grounds to regard the upcoming voting on Paramonova's candidature as the first attempt, rather than the second. The first time was when the president proposed Paramonova for the position of Central Bank of Russia chairman on 12 January, but the State Duma turned down the candidature. Under the law on the Central Bank, there can be only two votes on the same candidate. Yesterday, however, Viktor Gerashchenko gave some arguments in favor of this interpretation: since the law on the Central Bank was passed after 12 January, Paramonova has now, from the formal point of view, been presented for the first time. This means she will have yet one more chance.

Federation Council Rejects Statement on Agrarian Crisis

LD0507140595 Moscow INTERFAX in English 1231 GMT 5 Jul 95

[FBIS Transcribed Text] MOSCOW, June 5 (INTERFAX) — The Federation Council has turned down the political statement on crisis in Russia's agro-industrial complex. The statement was supported by 68 deputies and opposed by 25 with three abstentions, while the minimum number of votes required for approval is 90.

The statement, drafted by the Committee for Agrarian Policies on the basis of deputies' speeches during discussion of Russia's food security, says that the Federation Council finds it necessary to "separate itself from the government-pursued agrarian policy which has pushed the agro-industrial complex to the brink of catastrophe."

The draft qualifies the policy pursued by the government as "anti-democratic and anti-state".

It also demands stronger state support for the agro-industrial complex and the allocation of at least 15% of the national income to agriculture.

A the same time, in a 107 to 3 vote with one abstention (the required minimum of votes being 90) the Federation Council adopted a resolution on measures to ensure the Russian Federation's food security. The document says that "as a result of an erroneous agrarian policy, pursued during the past five years, the material-technical base of agriculture is breaking up at an increasingly fast rate and the output of agricultural produce is going down."

Given this, the Federation Council proposed that the State Duma "consider a draft federal law on the state regulation of agricultural production without delay."

'Stability' Marks Anniversary, Views Prospects

MK0607121095 Moscow SEGODNYA in Russian 6 Jul 95 p 2

[Report by Gleb Cherkasov under the "Date" column: "Stability" Celebrating Its First Anniversary. Group Pins Hopes for Political Future on Viktor Chernomyrdin's Bloc"]

[FBIS Translated Text] Yesterday Aleksey Leushkin, chairman of the Duma group "Stability;" Aleksey Alek-

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sandrov and Vladimir Kravtsov, his fellow deputies; together with Viktor Ustinov, chairman of the parliamentary Geopolitics Committee, held a press conference to mark the group's 100-day anniversary. In the words of Mr. Leushkin, during this period the group has assumed its political face and increased its membership from 36 to 40 persons. Mr. Aleksandrov said that in their move to establish "Stability" the deputies were guided by centrist-democratic principles "so that in their lawmaking, they could hold course for strengthening the state power and law enforcement, and contribute to developing a common national idea based on steady movement along reformist lines." As for their lawmaking priorities, Mr. Kravtsov stressed that the "Stability" members are ready to concentrate their efforts on curtailing criminality and protecting local producers.

"Stability" pins hopes for its political future on the movement "Russia Is Our Home." The majority of the "Stabiles," however, are likely to attempt reelection in single-seat constituencies. The press release distributed at the briefing mentions the fact that "the 40 'Stability' members had been elected to the Russian parliament on one-seat lists, and so, they have every reason to think that each of them relies at best upon half a million votes." (Simple estimates show that in this case, the "Stabiles" claim the support of a 60-million-strong electorate, with the total electorate at the 12 December 1993 elections being a little over 55 million people eligible to vote.)

It should be noted that irrespective of the possible political prospects for the "Stability" group — be their future unclouded and serene, or may the outcome of the parliamentary elections shatter the optimism of Mr. Leushkin and his colleagues — the very fact of the emergence of "Stability," and its related deputy group "Russia," has tipped the balance in the Duma. Factions backing the government fully or partially had been in the majority at the Duma Council. According to some witnesses, it was for this reason that the agenda of the 1 July extraordinary plenary session had been drafted in a way that made passing a vote of no confidence in Viktor Chernomyrdin's cabinet utterly impossible.

Federation Council Seeks Court's Opinion on Election Law

MK0607113095 Moscow KOMMERSANT-DAILY in Russian 6 Jul 95 p 2

[Report by Veronika Kutsyllo under the "Federation Council Meeting" rubric: "Senators to Constitutional Court: Tell Us, How Many Years Are We Yet Destined To Live?"]

[FBIS Translated Text] When the law on elections for the State Duma was going through a hard time, the senators used to say in the lobby of the upper chamber: This is nothing compared to what is to come when the law on forming the Federation Council comes under consideration! It will not take them long to see what is coming: Yesterday the State Duma passed the law in third reading; that is, it will soon emerge at the Federation Council. Vladimir Shumeyko's preventive measures have so far not proved particularly successful: Out of three versions of a request to the Constitutional Court, the senators chose one that was least politically charged, under which the procedure for forming the chamber is to be determined by a federal law. Veronica Kutsyllo comments.

There were three versions of the request that were put to a rating vote at the Federation Council: Shumeyko's draft, requesting that the term "formation of the Federation Council" be interpreted (with a noticeable bent toward appointing its members); that of the Defense and Security Committee, which stipulated directly that the popular election of Federation Council members does not contradict the fundamentals of the constitutional order; and that of the Legislation Committee, which says that the procedure for forming the Federation Council should be determined by a federal law (that is, the Constitutional Court has nothing to interpret in this case — like the law, like the chamber) and only suggested that the Federation Council's term of office be specified. The latter burning problem was caused by two contradicting provisions. On one hand, under the Constitution, the Federation Council was elected for two years, just as the State Duma. On the other, under the same Constitution (and under the law on the status of deputies) it must remain in session until the newly elected chamber has started its work. And what if it is not convened at all?

The speaker thinks, for instance, that the current Federation Council may operate for an indefinite period of time while gradually rotating its lineup, but far from all senators agree, just as with the "appointment" of new senators. This is the main snag: With regard to the law on the State Duma the Federation Council closed ranks, turned it down twice in a well-coordinated fashion, and finally adopted it, displaying team spirit. But when the issue is the chamber's own problems, a deep divide among the senators becomes visible. It is caused by professional differences between them: If the principle under which the Federation components delegates members to the council gains the upper hand, only some of them — heads of the executive and legislative branches

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— will have a realistic possibility of being reelected. "Freelancers," who make up over half of the Federation Council's current lineup, will have no such prospects.

Therefore it is clear why the version of the request drawn up by the legislation committee came in first in the rating vote (it won 84 votes, against 62 for Shumeyko's draft, and 38 for the too explicitly "defensive" version). Although the request may not make this clear, it is well known that the legislation committee has long stood for an "election-based" law on forming the Federation Council — precisely the one that the State Duma passed yesterday. Nonetheless, it would be too early to conclude that Shumeyko has already lost. Clearly, the speaker will exploit the very fact of submitting a request to the Constitutional Court so as to delay the consideration of the law as much as possible. Yesterday he already managed to convince the senators to finalize the request taking into account the other two and finally to approve it only at the next meeting of the chamber, which is due to be held in three weeks. And the nearer December draws, the stronger is the threat that the procedure for forming the Federation Council would be approved by a presidential edict — naturally, one based on Shumeyko's plan.

Federation Council Rejects Law on 14th Army in Dniester

LD0507211295 Moscow INTERFAX in English 1837 GMT 5 Jul 95

[FBIS Transcribed Text] MOSCOW, July 5 (INTERFAX) — The Federation Council, the Russian parliament's upper house, rejected Wednesday the law on the 14th Army's presence in the Transdniester region (Moldova) passed by the State Duma, the lower house, on June 21.

A total of 28 deputies voted for the bill with 43 voting against it and 4 abstentions. At least 90 deputies should support a bill in order that it is adopted by the Federation Council.

According to the law, reorganization of the army's command, reduction of its personnel and pullout from the deployment area should be suspended until "a political settlement of the conflict in Transdniester, the withdrawal and/or destruction of ammunition, military equipment and armaments that are under the 14th Army's control."

The Security and Defense, CIS Affairs and International Affairs Committees of the Federation Council spoke against adopting the law. The Security and Defense Committee said international law provides no legal base for the 14th Army's stay in the Transdniester Region.

On June 28, 1995, the presidents of Russia and Moldova said it was necessary that the "agreement between Russia and Moldova on the legal status, order and terms of the withdrawal of Russian military units temporarily deployed on the territory of Moldova," entered into force as soon as possible, noted the committee.

In this respect the committee believes that "the adoption of the law could have been interpreted as interference in Moldova's internal affairs and as a violation of the signed interstate agreements."

Federation Council Rejects Local Self-Government Law

LD0607120695 Moscow ITAR-TASS in English 1139 GMT 6 Jul 95

[By Lyudmila Yermakova]

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — The Federation Council on Thursday rejected the law "On general principles of local self-government in Russia" passed by the State Duma. The Federation Council decided that separate provisions of the law should be defined in greater detail.

Agreeing that this law is necessary for a vast country like Russia, deputies arrived at the conclusion that in its present wording the law is not in keeping with the state of economic and market relations in Russia now. The Council believes the law insufficiently defined financial responsibility of local bodies and principles of property division in subjects of the federation.

It was agreed to form a conciliatory commission of deputies of both houses to perfect the law.

Duma Approves Investigation Law

LD0507162195 Moscow INTERFAX in English 1231 GMT 5 Jul 95

[FBIS Transcribed Text] MOSCOW, July 5 (INTERFAX) — The Russian State Duma (lower house) on Wednesday [5 July] approved by an absolute majority a new law widening the list of agencies entitled to hold investigation.

The customs bodies, tax police and government security agencies will now be able to do so in addition to the interior ministry, federal security and border services and foreign intelligence.

But other amendments provide for more safeguards of human rights and civil liberties in the course of investigation, Communist Head of the Security Committee Viktor Ilyukhin said as he presented the bill.

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Yeltsin Version of Civil Service Bill Approved

MK0607090095 Moscow SEGODNYA in Russian 6 Jul 95 p 2

[Report by Gleb Cherkasov under the "Lawmaking" rubric: "State Duma Has Passed Second Reading of Law "On Basics of Civil Service in Russian Federation. All President's Amendments Have Been Considered"]

[FBIS Translated Text] Some 290 State Duma deputies voted for the Law "On the Basics of Civil Service in the Russian Federation" in a repeat ballot yesterday. The draft law had been earlier rejected by the president. Among other things, Boris Yeltsin insisted that a list of civil service positions for the Russian Federation be ratified by the president's edict and not by the federal law as had been suggested in the Duma version. Besides, the Duma had recommended confirming the expense estimates for the financing of civil service employees by "federal laws and the laws of the Federation components on each state body separately," while Mr. Yeltsin suggested setting these funds through the federal budget. The president had also found it necessary to include a provision on the president's Federal Civil Service Council comprising spokesmen of the president, the government, both Federal Assembly houses, the Constitutional Court, and higher legislative bodies.

The Duma commission has taken into consideration practically all the president's amendments. The draft law has been passed over to the Federation Council.

Committee Approves 1996 Budget Preparation Bill

LD0607093695 Moscow ITAR-TASS in English 0844 GMT 6 Jul 95

[By Pavel Kuznetsov]

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — The text of a bill "On the Procedure for Consideration and Approval of the Federal Budget for 1996" was endorsed today at a meeting of the State Duma Committee for the Budget, Taxes, Banking and Finances.

The bill provides for three, not four, readings in the State Duma of the Draft budget for 1996, in contrast to four readings the 1995 budget was taken through.

Under the new law, the Government is due to submit its draft budget 1996 before August 1. First reading, which is intended to approve the conceptual framework and the main characteristics of the budget, must take place not later than October 10, 1995. Second reading will concentrate on a clause-by-clause discussion of the draft. Third reading will be devoted to a discussion of the budget as a whole.

A similar document concerning the budget for 1995 contained a provision entitling the lower house of the Russian parliament to express no confidence in the government in the event of a repeat rejection of the government draft on first reading. The new bill contains no such provision.

Budgetary Committee chairman Mikhail Zadornov told journalists today that Committee members want to submit the bill for consideration in the State Duma next Wednesday [12 July] and ask the house to have all three readings on the same day.

The Committee also prepared a draft Duma resolution "On the Commission in charge of preparing a draft Federal budget for 1996 and its consideration in the State Duma".

This document requires the Government to take part in a joint commission with the lower house to prepare the draft budget for 1996.

The Commission is expected to begin work on September 1 in order to work out a joint position of the Government and the Duma with regard to the draft budget for 1996.

Duma Passes Law on Sale of State-Owned Shares

MK0607094095 Moscow SEGODNYA in Russian 6 Jul 95 p 2

[Report by Svetlana Lolayeva under the "Property" rubric: "State Duma Decided Directly To Come to Grips With Privatization. Deputies Pass Law on Selling State-Owned Blocks of Shares in Second Reading" — followed by Mikhail Lantsman commentary]

[FBIS Translated Text] Yesterday, the State Duma passed by 260 votes the draft law "On Disposing of Shares (Blocks of Shares) Reserved for Federal Ownership and on Turning Over Federally Owned Assets as Contribution to the Authorized Capitalization of Economic Partnerships and Companies." Had it not been for Speaker Ivan Rybkin's sudden stubbornness, the draft law would almost certainly have been passed in third reading as well. Mr. Rybkin was evidently deterred by the fact that government proposals did not find their way into the list of adopted and rejected amendments. According to Sergey Burkov, chairman of the Committee on Property, Privatization, and Economic Activity, who is the author of the draft law, the government's observations were formulated in the most general language and so were not taken into account.

Under the law, which is to go into force as soon as it is published, the government must annually submit to the parliament — not later than one month before

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submitting the draft budget — "a list of shares (blocks of shares) reserved for state ownership that may be disposed of next year, as well as a list of federally owned assets that will be turned over as contribution to the authorized capitalization of economic partnerships and companies." The law will only apply to federally managed assets, while the disposition of blocks of shares in enterprises owned by Russian Federation components will be regulated by these components' legislation. According to Sergey Burkov, the adoption of this law marks an end to "the government's monopoly on making decisions with regard to selling blocks of shares." Of course, Mr. Burkov said, given that the sale of state-owned stakes may become a non-inflationary source of paying off the budget deficit, "the government is interested in disposing of them whenever it pleases." The chairman of the Privatization Committee thinks this to be unadvisable because "the sale of blocks of shares in 1995 will not produce the desired effect — demand is limited, while assets are undervalued."

In the view of Grigoriy Tomchin, member of the Privatization Committee from the "Russia's Choice" faction, who is opposed to the law, the State Duma, on the contrary, is attempting to combine the functions of the executive and legislative powers. Given this approach, every deputy will "lobby for 'his own' enterprise."

As Petr Mostovoy, who represented the government, put it, this law "does not have the right to exist as an individual piece of legislation" because it runs counter to the budgeting process regime established by law, which causes changes in budget revenue and budget execution. According to Mr. Mostovoy, "all constitutional methods will be used to prevent the bill from being passed as it stands now."

Sergey Burkov, too, has no doubts that the draft law will be vetoed. In this case, however, he said, "the deputies will adopt a very tight approach to approving the section of the budget concerning privatization proceeds." Even if threatened by lengthy horse-trading over the budget articles, however, the government and the State Property Committee in particular are unlikely to agree to the passage of a law that effectively hands the future of the cash stage of privatization over to the parliamentarians.

[Mikhail Lantsman commentary] If the Duma members manage to push through the draft law "On Disposing of Shares Reserved for Federal Ownership..." to their advantage, bypassing all constitutional obstacles, one may give up the state program for the second stage of privatization as lost. For precisely the capitalization of stakes reserved for state ownership till 1996-1997 is expected to activate the domestic stock market and to become the main source of budget revenue to the tune of 9 trillion rubles.

If the State Duma becomes the collective operator of the process of state property capitalization, the government's talks with a consortium of commercial banks or the drafting of alternative options so as to turn state property over to private companies for trust management will become absolutely meaningless. Meanwhile, by State Property Committee specialists' estimates, budget revenues from unrestricted sales of state blocks of shares in enterprises included in regional timetable plans will reach 1.5 trillion rubles at best.

Sergey Burkov, chairman of the Committee on Property, Privatization, and Economic Activity, a key author of the "disposition" bill, asserts, however, that the adoption of the law will not affect the formation of budget revenues. Nonetheless, it is not difficult to suspect Mr. Burkov of taking interest in the state budget insofar as it presents a tool of blackmail in a dialogue between the government and parliament. Actually, Mr. Burkov does not make any bones about his intentions, insisting on a drastic revision of "Chubays-style" privatization involving law-enforcement agencies and a renationalization of "squandered" property.

Regional Affairs

Basayev Threatens To Attack Moscow Using Uranium

AU0607142895 Paris AFP in English 1410 GMT 6 Jul 95

[By Sebastian Smith]

[FBIS Transcribed Text] Southeast Chechnya, Russia, July 6 (AFP) — Chechen rebel commander Shamil Basayev, who led a mass hostage-taking in Russia last month, threatened Thursday to use biological or radioactive substances in future attacks if current peace talks fail.

"We have radioactive elements, biological weapons that Russia left us," Basayev told AFP in an interview. "Half a kilogram of uranium in Moscow and Moscow would no longer live," he said.

Basayev, who asked that his location in southeast Chechnya not be disclosed, said there would be no attacks outside Chechnya if peace talks aimed at ending the seven-month war succeeded.

"If there's a peaceful solution we won't do anything," he said. "We hope for a lot from the talks," he added.

Russian and Chechen negotiators held three hours of talks in Groznyy Thursday, a Russian delegation member said. Talks are to resume Friday.

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Basayev, who said he had just returned from 10 days behind Russian lines, said the merciless operation to restore Russian rule in Chechnya had left him with no alternative but terrorism. An estimated 15,000 to 30,000 people have been killed in the war, mostly civilians.

"If someone spat in your face every day for seven months, wouldn't you spit back once?" he asked. "Well we did and we will again," he said, referring to the mass-hostage taking he led in the southern Russian town of Budennovsk in mid-June.

Basayev, the top Chechen field commander, ruled out further hostage-takings, saying that there would only be attacks on strategic and state targets, potentially deep inside Russian territory.

"I won't repeat Budennovsk.... I said however that if the peace talks fail (?then) we would fight in Russia. Apart from the Kremlin there are a lot of military and state targets," he said.

Basayev repeated the Chechens' demand for full independence from Russia in the current negotiations, saying that anything less would be unacceptable. Moscow has given no indication of being prepared to let the tiny Muslim republic go.

"We're not asking for anything but our freedom. We can't just sit here and be exterminated," he said.

He said stepped-up Russian security in the wake of Budennovsk, including patrols by paratroopers on the streets of Moscow, would not prevent Chechen raids since future attacks would be far more undercover than the bloody raid by about 150 fully armed guerrillas on Budennovsk.

"They think we'll go in trucks with hundreds of men again. That's ridiculous," he said. "To put uranium in Moscow needs one person. One person gets killed and the city dies."

Basayev denied assertions by Russian officials that he had fled to Pakistan, saying that he had spent the last 10 days in Russia receiving treatment for shrapnel wounds and a bullet wound from Budennovsk.

While outside Chechnya, he also organised the return of 63 guerrillas who had gone undercover in an undisclosed city in Russia, he said. The last seven of the group were to arrive shortly, he added.

Basayev also denied that anti-Russian resistance in Chechnya was about to cave in, although the separatists have been pushed back from the capital Groznyy to the Caucasus mountains.

If the peace talks fail, "there are plenty of people to fight in the positions here and others will go out," he said.

"The Russians keep saying that we have almost no territory left, but we still control 25 percent of it, including the high mountains, the hardest territory of all," he said.

Meanwhile, Chechen sources, who asked not to be named, said the independence fighters had bought three US-made Stinger anti-aircraft missiles and that Russian-made missiles, which are programmed not to hit Russian planes, had been reprogammed and would soon be delivered.

This was impossible to confirm independently. Anti-aircraft weapons could heavily influence the course of the war, since Russian planes have been largely responsible for blasting the guerrillas from their positions.

Basayev said he realized that his return to Chechnya could spark a wave of Russian attacks in the southeast, since he has been declared a wanted-man by Moscow for his role in Budennovsk. But he said: "I want them to know that I'm in Chechnya because I have nothing to run from. I'm not a bandit on the run, I'm fighting for my people's freedom."

"If we were bandits, we would not have been able to fight against such a powerful army for half a year. Bandits don't fight wars; they shoot and run and steal," he said. And he warned: "If they bomb here because of me, I'll leave Chechnya, but I'll go to Russia and bomb them there."

Kulikov Addresses News Conference in Groznyy

LD0607140695 Moscow ITAR-TASS World Service in Russian 1345 GMT 6 Jul 95

[By Oleg Artyushin and Sergey Trofimov, special ITAR-TASS correspondents]

[FBIS Translated Text] Groznyy, 6 Jul (ITAR-TASS) — "The implementation of the military bloc issues will begin in two to three days," said Colonel General Anatoliy Kulikov, commander of the joint group of federal forces in Chechnya, who was appointed Russia's minister of internal affairs by a presidential decree today.

He was addressing a news conference held in Groznyy today, following the resumption of peace talks here.

Direct radio communications between commanders of the subunits of federal troops and field commanders of Dudayev's formations were established as of 0000 today with this purpose in mind, said General Kulikov. He views this fact as a serious measure of mutual trust.

In some areas, continued General Kulikov, commanders from both sides established personal contacts to prevent

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exchanges of fire or other provocations from taking place.

Army Paper Urges 'Firmness' in Talks on Chechnya

MM0507140095 Moscow KRASNAYA ZVEZDA in Russian 5 Jul 95 p 1

[Report by Petr Karapetyan: "Groznyy Talks: The Longer They Go On, the Harder It Is To Settle Chechnya Crisis"]

[FBIS Translated Text] Another recess has been called at the Groznyy talks — until the afternoon of 6 July. Vyacheslav Mikhaylov, leader of the government delegation, told journalists that the time had come for consultations with the country's top leaders. Until 6 July — and this is pretty obvious — not only Moscow but its opponents in Groznyy will be taking advantage of this time-out to think about the situation that has emerged at the talks after Arkadiy Volskiy's trip to see Dzhokhar Dudayev.

This meeting has added intrigue to the talks — nothing more than that. The sides' positions have not as yet undergone any change — Moscow is insisting on Chechen sovereignty within the Federation, while its opponents in Groznyy are calling for absolute sovereignty for the republic. It was on these terms that Dzhokhar Dudayev agreed to resign — that is, to accept the so-called "zero option" offered by the Russian side.

It is clear that the Chechen delegation and Dzhokhar Dudayev have put forward terms totally unacceptable to Moscow. It is also beyond dispute that they can have no particular illusions that their terms will be met. This may all be explained by a desire to squeeze as much as possible out of the situation that has come about in the wake of Budennovsk and to force Moscow to make significant, if not total concessions. How far they can go in this direction will depend on Moscow. At any rate, serious thought needs to be given to how to save the Dudayev supporters from the delusion that they can dictate terms at the talks. And that is a tendency that has been quite clear in the behavior of Usman Imayev's delegation. The longer the talks go on, the harder it is to reach agreement with them.

Incidentally, it would not hurt for Moscow to lose some illusions either. For instance, about the good will of its opponents — all of whose behavior attests to the opposite: Moscow should think about how to meet our demands (the "Budennovsk syndrome" is clearly still in operation), while we will feed it promises to keep the pressure up. What about handing over Shamil Basayev within three days and condemning his action in Budennovsk? This request was agreed to around the negotiating table by both Usman Imayev and Aslan Maskhadov, but once outside the Organization for Security and Cooperation in Europe mission building these very same people called Shamil Basayev a Chechen national hero and triumphantly swore that not a single hair on his head would be harmed. What about observing a moratorium on hostilities? Both Usman Imayev and Aslan Maskhadov gave appropriate assurances on this score, even promising as a goodwill gesture to publicly burn several units of armored equipment in Groznyy. And what happened? The equipment was not burned (maybe it would come in handy?) and the attacks on Russian servicemen are continuing. A moratorium appears to have been announced and we have been assured that it is in action, but our people are still being killed. If the Chechen side does not consider itself bound by the guarantees it has given, why do we never amend our own position at the talks with the offensively pointed determination shown by our opponents?

The problem is that our lack of determination could fundamentally influence the progress of the negotiating process in Groznyy and encourage the Dudayev supporters to be even more intransigent and uncompromising. Instead of a firm stance we are taking impulsive steps which reveal nothing but our confusion. You cannot help wondering why it was particularly necessary for Arkadiy Volskiy, a member of the government delegation, to go to see Dudayev — a man who has been declared a criminal and who is the subject of a nationwide search warrant in Russia. Only firmness and consistency backed up by a readiness to make reasonable compromises (only!) will force those at the Groznyy talks to take account of Russian interests.

Volskiy Describes Visit to Dudayev Outpost

MM0607133995 Moscow IZVESTIYA in Russian 6 Jul 95 p 1

[Unattributed report: "Dudayev Sleeps During the Day and Stays Awake at Night"]

[FBIS Translated Text] Arkadiy Volskiy shared some details of his visit to Dzhokhar Dudayev with IZVESTIYA. The journey of almost four hours was very tiring and even dangerous. The "uazik" [automobile produced by the Urals Automobile Plant] spent a long time picking its way through the roadless mountain terrain. On one of the turns the vehicle was left hanging over a precipice. "The Chechens accompanying me managed to find a tractor even in these backwoods which pulled the 'uazik' out," the deputy head of the Russian delegation marveled. When Volskiy reached the location of the meeting his suit was a complete

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mess. "An old woman who looks after Dudayev washed these pants for me!" — Arkadiy Ivanovich recounted.

According to Volskiy, Dudayev travels through the mountains in a mobile home which has all the modern conveniences: a smart office, a toilet, and even a bathroom. Dudayev spends every night in a different place. Incidentally, in this case the expression "spends the night" is fairly theoretical. For security reasons the Chechen president stays awake at night and sleeps during the day.

Volskiy would not go into the details of what impression Dudayev made on him, merely noting that the Chechen president seemed "somewhat nervy."

"As soon as I entered he went straight for me: 'I know all about you! Yes, you look gentle and good-natured. But in actual fact you are a very cruel man,'" Arkadiy Ivanovich laughed.

Two Russian Servicemen Released in Groznyy

LD0607100095 Moscow ITAR-TASS in English 0936 GMT 6 Jul 95

[By Sergey Trofimov]

[FBIS Transcribed Text] GROZNYY July 6 (Itar-Tass) — An armoured personnel carrier came up today to the building of the OSCE [Organization for Security and Cooperation in Europe] mission in Groznyy. It is noteworthy that not only Dudayev gunmen, but also soldiers of the federal army were sitting on its armour. Field commander Ida Madayev, representative of chief of staff of Dudayev forces general Aslan Maskhadov, released and turned over to representatives of the federal troops in the presence of members of the OSCE mission two Russian servicemen — Praporschik Igor Gubachev and Private Oleg Bochkov captured on June 27 — as a manifestation of goodwill. The soldiers immediately fell into the loving embrace of their relatives, who came to Groznyy to meet them.

Military experts of the delegations exchanged today complete lists of the persons, forcibly held by both sides. This was done to specify information about prisoners.

Isa Madayev refuted reports of some mass media organs about fighting in the area of Shatoy. "We are in full accord with the federal side. The moratorium is being observed now," he said.

Talks between the Russian government delegation and Dudayev's representatives, whose next round is expected to begin today, are not planned to be moved from the building of the OSCE mission in Gro n to the area of the Severny (northern) airport, head of the OSCE mission Sandor Mesaros told Tass. This issue was not discussed by the delegations, which are taking part in the talks, he said.

The closer the time of the beginning of the third round of talks on a peaceful settlement of the conflict in Chechnya — the more people gather in the district, where the the building of the OSCE mission is situated. A group of Buddha monks joined the demonstrators. For about a month they have been taking part in a march around Chechnya, whose motto is "Motherly Compassion."

At present they are praying and beating their drums. The followers of the great Buddha want peace to come to Chechnya as soon as possible.

Military Situation Over Past 24 Hours Reported

LD0607101295 Moscow INTERFAX in English 0916 GMT 6 Jul 95

[FBIS Transcribed Text] MOSCOW, July 6 (Interfax) — Since the moratorium on military operations in Chechnya was imposed (on June 21), pro-Dudayev rebels have shelled the federal troops 92 times, including 4 times with heavy artillery systems, a duty officer in the Russian Defense Ministry's information department told Interfax Thursday [6 July].

According to the officer, the rebels have shelled Russian units 5 times over the last 24 hours alone wounding two federal servicemen.

The officer said "the tensest situation now is around the villages Shatoy, Kurchatoy, Shali and to the north from Groznyy."

Filatov on Legality of 1994 Decree on Chechnya

LD0607082595 Moscow INTERFAX in English 1714 GMT 5 Jul 95

["Exclusive" report No. 27 of 129]

[FBIS Transcribed Text] Moscow, 5 Jul (INTERFAX) — The Constitutional Court of the Russian Federation on Monday will consider the Federation Council's request to probe into the legality of President Yeltsin's Decree of December 9 1994, which sent federal troops to Chechnya to restore Constitutional order there and disarm illegal armed formations. The chief of the presidential staff SERGEY FILATOV has commented on this problem at the request of the Interfax special correspondent Vyacheslav Terekhov.

[Filatov] In the first place I must say that the Constitutional Court is called to consider legal acts. It is not empowered to consider separate facts. There will be a very serious discussion in the Constitutional Court. What makes the situation still worse is that neither the

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Constitution of the Russian Federation nor any other legal act establishes a procedure to settle the situation that has taken shape in the Chechen Republic over the past few years.

It is an emergency situation. Within the Russian Federation there appeared bodies of power that were promptly declared illegal by the Congress of People's Deputies of Russia. All "legal acts" by the Chechen authorities were declared void by the Congress, too.

Chechnya created illegal armed formations so well equipped that only regular army units proved capable of doing away with them.

The Chechen forces had several hundred planes, hundreds of armored vehicles, grenade and rocket launchers and tens of thousands of small arms.

It was impossible to impose a state of emergency on Chechnya. Federal authorities had no contacts with the Chechen Republic as a member of the Russian Federation. Moscow had to deal with bodies of power that had at their disposal armed formations equipped with the most sophisticated military hardware. Russian Interior Ministry troops could not confront them — they simply had no equipment to fight with such forces.

As I look back on the Chechen issue, I feel ever more certain — in 1991 there was an armed take-over in the then Chechen-Ingush republic. Everybody knows that in the USSR it was a very difficult time. A government coup had just taken place. In general, the leaders of the USSR fought against democracy that was taking shape in the Russian Federation.

At that time top USSR officials began to encourage the sovereignization of member-republics of the Russian Federation. The Chechen republic was one of those that declared state sovereignty. That decision had tragic consequences.

On the basis of that declaration radical political changes began in Chechnya. In the first place the Supreme Soviet of that republic was abolished, because it was then seen as pro-Communist and a supporter of the 1991 government coup.

Moscow tried to reform the Chechen parliament by holding referendums and reorganizing the authorities of the Chechen-Ingush republic. Deplorably, Dudayev and his team seized the initiative and held their own elections. Those were elections at gun-point. Voting took place not in the whole territory of the Chechen-Ingush republic, but only in some areas, mostly populated by the Chechens. The elections were accompanied by outrageous violations of the electoral law and human rights. They can by no means be regarded legal.

What made the situation still worse is that the Russian president in a bid to stop the abuse of law and order tried to impose a state of emergency on Chechnya.

As you may remember, the state of emergency did not last even one day and was lifted. Firstly, the Supreme Soviet of the Russian Federation opposed it. The USSR president was against it, too. The then USSR Interior Minister V. Barannikov did not let the state of emergency take effect by simply denying the means to enforce it.

Inspired by his victory Dudayev and his team continued to form illegal bodies of power and destroy federal authorities in Chechnya. State security bodies, taxation, banking, communications, education, the health service, the social system and pensions were ruined.

Instead, Dudayev and his men began to form armed formations and their own security services.

They also began to force Russian troops out of their garrisons. Russian troops had to quit Chechnya leaving all military equipment, because their families were in danger. Dudayev's supporters used civilians as a human shield to prevent federal units from taking military equipment out of Chechnya.

Chechen militants also sta ed their own arms production. Military training centers were opened. In a word, Chechnya quickly militarized itself and prepared to resist federal bodies, should these try to restore legality in a constitutional way.

The situation in the region turned from bad to worse. Chechnya began to be criminalized. Civilians fled Chechnya. More than 200 thousand refugees have been registered so far. Most of the refugees, more than 80%, were Russians. Chechnya had become utterly unlivable for them.

Three thousand medical workers of the initial seven thousand had left Chechnya. Almost all industrial managers left too.

Gangsterism and looting began on the railways connecting Russia wit. Transcaucasia and other countries.

Hundreds of trains were plundered in Chechnya. The authorities in Grozny proved unable to control the situation.

The Constitutional Court will certainly take note of the fact that over the past years Moscow had made a number of attempts to settle the situation by political means and to restore life in Chechnya to normal. When the social sphere collapsed, more than 200,000 retirees found themselves without means of sustenance. Sixty thousand residents of Chechnya had to go to other

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member- republics of the Russian Federation to receive pensions.

All these facts are evidence that the federal authorities were obliged to take every measure to restore constitutional order to that republic and not let the dangerous process develop.

The latest events in Chechnya, the fierce resistance to federal troops have shown how dangerous illegal armed formations in Chechnya were. Not only the Caucasus or Russia was in danger.

The use of military force by the federal authorities in Chechnya was justified primarily because the Chechen side had a military potential and equipment that required the use of a modern army.

The Constitution obliges the president to preserve the country's integrity. International law gives nationalities and peoples a chance of self-determination, however, international law dismisses separatism. Self-determination is achieved by civilized means in certain situations, provided the standard of living meets certain requirements.

In Chechnya there had been a forcible seizure of power and the dissolution of legal authorities. That had the saddest consequences — massive human rights abuse, gangsterism, and so on and so forth.

This is precisely why the president had to use article 80 of the Russian Constitution, which obliges the head of state to use all the means available to preserve the country's security and territorial integrity. This is the background of the military operation in Chechnya, which began on December 11 1994.

I believe that the discussion in the Constitutional Court will be held in this key. The presidential side will explain its position and try to persuade the Constitutional Court judges that the decision to move federal troops to Chechnya was a constitutional measure.

How the operation was held is an entirely different matter. One cannot say that everything was favorable for the federal troops, that everything was done legally. It is no accident that the prosecutor's offices of the Russian Federation have launched dozens of criminal cases, including those on charges of human rights abuse and the abuse of power locally.

Criminal cases were launched against Dudayev and his men on a number of charges, including economic crimes, gangsterism, murder and so on. It is common knowledge that in the Chechen republic Dudayev's supporters waged a war on their own people. Hundreds of people were killed. Those cases are being investigated, too. However, they cannot be examined in the Constitutional Court, because it examines only legal acts.

I believe that the first day of discussions on whether the use of federal troops in Chechnya was legal will start a lengthy discussion of the Chechen tragedy. All details of the conflict will be studied closely and the correct decision made.

Hostage-taking in the town of Budennovsk, the Stavropol territory, and the murder of civilians by Chechen militants is a special theme. It was not just an act of terrorism, but a serious political action, planned and prepared in advance.

Constitutional Court hearings on the use of federal troops in Chechnya must be held in the near future, the more so since the Opposition is preparing to start impeachment procedures against the president. Both issues are linked inseparably. It is very important to do everything to ensure that Russia resolves these problems before the election campaign begins. No political force should be allowed to capitalize on the Chechen issue.

I am certain that the examination of the Chechen question by the Constitutional Court would help settle the conflict politically.

No official representative of the president has been appointed yet, but I believe that we shall know the name in a couple of days. However, I can say that a big group of lawyers, political scientists and nationalities question experts are making preparations for the hearings. All ministries and agencies are involved in the preparations in this or that way. I believe it's worth publishing all materials they present in one package. It is of great value, because it gives a full picture of the tragedy, which is extremely important for the proper analysis and conclusions from the historical point of view.

Edict on Stationing Military Units in Chechnya

MM0607085195 Moscow ROSSIYSKAYA GAZETA in Russian 5 Jul 95 First Edition p 1

[Russian President's Edict No. 633 "On the Stationing of Organs of Military Administration, Combined Units, Military Units, Establishments, and Organizations of the Russian Federation Armed Forces on the Territory of the Chechen Republic" signed by President Yeltsin, dated the Kremlin, Moscow, 3 July 1995]

[FBIS Translated Text] To ensure military-political stability in the Chechen Republic and the protection of the state and territorial integrity of the Russian Federation, I decree:

1. That the permanent stationing on the territory of the Chechen Republic of organs of military administration, combined units, military units, establishments, and organizations of the Russian Federation Armed Forces be allowed.

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2. This edict goes into force from the day of its signing.

[Signed] B. Yeltsin, president of the Russian Federation

[Dated] The Kremlin, Moscow. 3 July 1993. Edict No. 633.

58th Army Seen as Basis of Permanent Chechnya Force

MM0607112195 Moscow ROSSIYSKIYE VESTI in Russian 5 Jul 95 p 1

[Unattributed report under "President" rubric: "Russian Troops To Remain in Chechnya"]

[FBIS Translated Text] Boris Yeltsin has signed an edict permitting Russian military units to be stationed on Chechen territory on a permanent basis. This was done, the document notes, in order to ensure military-political stability in the Chechen Republic and the protection of the Russian Federation's state and territorial integrity.

Our Information

Currently the 58th Army commanded by Lieutenant General Gennadiy Troshev is stationed in Chechnya. The headquarters of this army, which is part of the North Caucasus Military District, is located in Khankala, a suburb of Groznyy. The 58th Army formed the basis of the Russian Federation Defense Ministry's combined force grouping in Chechnya, which also includes the 106th Composite Marine Regiment consisting of three battalions, the 166th (Tverskaya) Autonomous Motorized Rifle Guards Brigade, and other units and subunits, which are carrying out missions to disarm illegal armed formations.

Internal Troops in Chechnya Cost R600 Billion

LD0507144095 Moscow Russian Television Network in Russian 1300 GMT 5 Jul 95

[From the "Vesti" newscast]

[FBIS Translated Text] Expenditure on the needs of internal troops in Chechnya amounted to approximately 600 billion rubles, Vladimir Strashko, deputy minister of internal affairs, told the Federation Council today. Other financial difficulties are besetting the Interior Ministry, caused in part by the State Duma's cut in allocations for the ministry in the 1995 budget. As a result, the total amount of the Internal Affairs Ministry's debts to its staff in back wages, allowances, and uniforms has already reached 1.2 trillion rubles.

Charity Worker Cited on Situation in Samashki

LD0607095495 Moscow Radiostantsiya Ekho Moskvy in Russian 0800 GMT 6 Jul 95

[FBIS Translated Text] The talks in Chechnya should be dealing not just with military and political issues. They should also deal with the protection of and social assistance to the civilians, says Yevgeniya Poplavskaya, the president of the Charity [Miloserdiye] order. Yesterday she came back from the Chechen village of Samashki:

[Begin Poplavskaya recording] The village is absolutely destroyed. People are fainting from hunger. They do not have water, they do not have bread. Their attempts to go to Groznyy to hold a rally are now being stopped completely. We were the only organization that came to them. They could not believe that we were from Moscow, and made us take photos so they could show that it is true that people from Moscow visited them and that they could speak about really seeing something, and that what they are talking about is not the fruit of their imaginations.

The village is absolutely destroyed; 400 people were killed there on the spot. Then, when all those wounded and killed and those who died from their wounds were removed, only the people who managed to somehow save themselves remained. The psychological situation is absolutely awful. They simply need to recuperate. They are simply people buried alive. [end recording]

Allowances for Children in Chechnya To Be Resumed

LD0607101095 Moscow ITAR-TASS in English 0906 GMT 6 Jul 95

[By Liliya Kuznetsova]

[FBIS Transcribed Text] MOSCOW, July 6 (Itar-Tass) — It has been decided to resume the payment of monthly allowances to families with children in the Chechen Republic, head of the press service of the Social Security Ministry of Russia Boris Dolotin told Tass today.

According to Dolotin, the payment of allowances began in Groznyy last May, and by the beginning of June the allowances started being paid in the Gudermes, Shali, Achkhoy-Martan, Argun and Staropromyslovsky districts. Allowances for 79,000 children from 35,500 families to the sum of about six billion roubles have already been paid, the ministry maintains. According to the June information, 240,000 children living in Chechnya and 100,000 children from refugee families now staying in neighbouring regions are to receive allowances.

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Dolotin pointed out that payments are made by territorial social security bodies. This procedure will remain for another year. Aside from it, much attention is being devoted to the summer recreation of children. 550 million roubles were allocated for that purpose in June, and 200 children from Chechnya were given vouchers to the Artek recreation centre.

'Our Home' Branch Established in Tatarstan

MK0607091095 Moscow SEGODNYA in Russian 6 Jul 95 p 1

[Unattributed report under the "Provincial Chronicle" rubric"]

[FBIS Translated Text] Kazan — A constituent conference of the sociopolitical movement Russia Is Our Home was held in the city of Kazan. Some 158 delegates representing the electorate of the republic's urban and rural regions participated in the work of the conference, which approved the regulations and set up the regional Our Home branch council. Tatarstan Vice Premier Alla Gabutdinova was elected the council's chairperson by a unanimous vote.

Magadan Oblast Governor on Economy, Future

954F2661A Moscow DELOVOY MIR in Russian 24 Jun 95 p 3

[Interview with Magadan Governor Viktor Mikhaylov by Anatoliy Suchkov; place and date not given: "My Outlook Has Never Been Depressed"]

[FBIS Translated Text] Viktor Mikhaylov is not one of those politicians who aspire to popularity at all costs. His path toward the governorship was strewn more with thorns than with roses. He has inherited a most complex Russian region, at which the economic crisis has hit particularly hard. Nonetheless, there is much in which the Magadan governor has been successful.

[Suchkov] Viktor Grigoryevich, evaluating the prospects of the territory's national economic complex two years ago, you were more than guarded in your forecasts, and I shall not say that despondency at what was happening was predominant in your mood at that time but optimism also, to speak plainly, was only barely present. Today your forecasts are both specific and confident. What has influenced them in this way?

[Mikhaylov] I agree—two or three years ago my sober view of the situation in the oblast as a pragmatist could have been perceived by some people as "pessimism" and a "lack of faith" in the future of the territory. But I maintain with full responsibility that neither then nor, especially, now has my outlook ever been depressed. When I spoke briefly about it being necessary "to survive," I meant by this specific plans for the restructuring of the economy of the oblast and its adaptation to the new conditions.

Yes, at that time the administration had been forced to adopt many unpopular decisions, which, naturally, were received negatively by the public. But we were clearly aware that to live better, while changing nothing in ourselves, was impossible. There largely depended and continues to depend on how we work at our places of employment and on how much we produce and of what quality whether the region blends into the system of world economic relations. If it does, we will, consequently, live better. If not, all our pretensions to living "like them" will not be worth a cent.

At that time I was frequently asked and continue to be asked now also a very pertinent question: Could the transition to the market not have been smoother? It most likely could have been. But here we were in the power of the Supreme Soviet and the government, which made the decisions. All we could do was respond to them on an opportune basis, absorbing the shock of the negative aspects.

Now the situation is entirely different, and the changes that have occurred are colossal. We already have a legislative base. Perhaps it is imperfect as yet and many of its components are only just being worked out, but the foundations of a market economy are being created, and this is the main thing.

I repeat: In 1992-1993 the most painful problem for us was the behavior of the monopoly enterprises. We had somehow to thoroughly influence the mentality of their managers. And when, in May of last year, we concluded the first, I stress, **the first cartel-technological agreement on a voluntary limitation of prices and rates,** few people had any faith in it, and the corresponding laws and government decrees were lacking. But working perseveringly on these problems for a year and focusing attention on them in the government, in meetings with the president, and at regional conferences in Khabarovsk, we constantly tried to persuade our opponents that the monopoly operators cannot be maintained on free grazing and that there has to be pressure on prices. And the ice moved.

The fact that when, quite recently, we adopted a second cartel agreement, its discussion proceeded far more calmly, without undue emotions, testifies to the change in the mood of the managers of the monopoly enterprises. People have understood that we are regulating the economic behavior of all agents participating in the technological process of the recovery of precious metals and that we will not allow the region's main system-forming branch to be "buried." After all, it was largely

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thanks to this that the level of gold production last year declined only 1.5 percent.

The infrastructure of the Russian investment-finance market in the oblast has not yet taken shape, nonetheless, foreign investors, who even yesterday were still scared of us, are today coming to us with a considerably lesser degree of risk.

The Regional Policy Department of the Ministry of Economics of the Russian Federation prepared an analysis of the economic situation in the regions according to several indicators. The main ones were production activity, the volume of contracting, commodity turnover, personal monetary income, and pay and its purchasing power. And our position compared with other regions of the country, even considering our particular, specific problems, is entirely stable. In terms of industrial production, for example, we are in fifth place, and in terms of fulfillment of the volume of contract work per capita, in third place. This is not an indicator, of course, construction is very expensive here, but it should be noted that basic investments here are going into production, into the creation of new jobs.

Here is an interesting indicator—the consolidated price rise index. Magadan Oblast is outpaced in terms of this item by 72 components of the Federation. Our prices have in a year grown by a factor of 2.5, on Kamchatka, for example, by a factor of 6.2, in Yakutia, by a factor of 2.6, in Maritime and Khabarovsk Krays, by a factor of 3.1, and on Sakhalin, by a factor of 3.7. Why has it turned out this way? Because Kamchatka contrived for several years to control prices. But the source thanks to which they were held down dried up, there is nothing with which to replenish it, and this is the result. We, on the other hand, controlled prices according to a possible minimum and channeled subsidies into targeted support for the truly needy and unprotected strata of society because the banker or other high-income employee should not be buying milk at the same price as the single retiree or handicapped person.

These are average indicators, of course, like, say, the notorious mean temperature in a hospital, and they need to be evaluated correctly.

[Suchkov] You are frequently reproached with the fact that, having become carried away by market transformations, you have by your actions accelerated the destruction of the former efficient structures, and it would do no harm continuing to support them, it is said, up to the point of direct subsidies, to prevent a deterioration in the region's provision with food, the material and technical supply of the base enterprises....

[Mikhaylov] Let us take a look at how things stand here in trade, say. Eighty-five percent of the food is brought into the oblast by non-state structures. In 1994 this indicator constituted 73 percent, by the end of the current year we are expecting to have raised it to 90 percent. Some 1.5 times more meat and meat products were imported in the first quarter than in the first quarter of the past year, 4.6 times more milk and dairy products, twice as much vegetable oil, and 1.34 times more fruit and vegetables. Aside from the evidence of the existence of more or less stable effective demand, these figures indicate that the competition factor is operating in our trade.

Fresh tomatoes, cucumbers, and cabbage were recently imported from South China, and they are selling well. Consequently, the suppliers have an interest in putting into circulation the money thus earned as quickly as possible and in bringing in new consignments of goods. The facts testify that a serious struggle is under way for our sales market and that anyone who delays for a moment is instantly squeezed out, and the vacant niche is filled.

The task of the oblast administration, on the other hand, is to attract to the territory as large a number of salesmen as possible and provide for a dependable transport system, the precision of materials handling operations, and, which is no less important, the timeliness of the disbursement of wages. In terms, incidentally, of such an indicator as per worker wage arrears, Magadan Oblast is in 76th place in the Russian Federation, that is, we are in a far better position when it comes to these debts than 75 krays and oblasts of Russia. And this despite the fact even that we are being thoroughly undermined by the delay in the solution of questions of chronic arrears in the payment for the products of the enterprises of our main branch and the funding of the construction of the Ust-Srednekan Hydropower Plant.

[Suchkov] Can we talk about optimism in your assessments of the economic situation in the region?

[Mikhaylov] To a certain extent, yes. I see that the period of the "great ripoff," excuse such strong language, in Russia is inevitably coming to an end. Judge for yourself: The banks, say, are already beginning to work with their clients differently and are moderating their appetites; stage two of privatization is beginning, and I am sure that if it is carried out correctly, the country's production assets will find an efficient owner who thinks about production, quality, sales, and prospects, not about his own immediate interests.

The period of the deception and plunder of the people by various con men is also coming to an end. Yes, very many people accustomed to having unthinking faith in

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the absolute of the printed word, in advertising, and in the fine words of well-known television anchors, here in our oblast included, were casualties. People did believe: in fabulous dividends, in a future dwelling place on the "mainland," and in some other things besides. This was why we had MMM, SVAK-bank, the mythical Shlyapin apartments in Vladimir, 6 billion rubles stolen by way of guarantees of the former chief of the Magadan Commercial Seaport, and the limitless plunder of its clients by the Magadannefteprodukt.

I am sure that this bitter experience will open people's eyes and prompt them to adopt a more cautious attitude toward the irresponsible promises of various con men and politician candidates or politicians. People should understand that wealth comes only by labor, not speculation and fraud. This, perhaps, is all that can be said about yesterday's pessimism and today's optimism.

[Suchkov] Today your opponents are saying frequently that when it comes to economic prospects the oblast administration has no appropriate program....

[Mikhaylov] Nonetheless, we are optimists when it comes to programs also. Primarily because we have start-up capital obtained with the direct assistance of the president of the Russian Federation, the first foreign investments have arrived in the oblast, and many foreign firms are displaying a specific interest in us and offering their cooperation. The situation is there for organizers who are prepared to undertake the realization of the programs, and we will find them. Only time is needed for the efficient mechanism that we have created to begin to operate in full, and the first movements in this direction are already noticeable.

[Suchkov] Large-scale financial resources are needed for the realization of special programs, and $250-300 million, at a minimum, will be required to build, for example, a highly profitable production complex at the major Natalka prospective gold-mining field. The start-up capital that has been obtained with the help of the president is clearly insufficient....

[Mikhaylov] The base branches of Magadan Oblast are developing in three directions determined by its actual specific features: the mining of precious metals, the use of hydrous biological resources, and, finally, which could seem strange to a reader from the central parts of Russia, whose everyday thinking perceives our region almost exclusively as a region of polar bears which is incapable of growing anything useful, agriculture. Let us see what we have in terms of these directions today.

Work on ore gold is being performed within the framework of a medium-term program, in which the specific goals and points of economic growth have been precisely identified. It is being fulfilled, on the whole.

There is a program in support of the mining of gold placer also. In the course of its realization in the oblast it is contemplated opening a number of leasing companies, which would lease equipment with the right of subsequent purchase to the enterprises wishing to mine for gold.

Agreement has been reached with the Committee for Geology and Use of Mineral Resources of the Russian Federation, that our Geology Committee will for quite a nominal charge give advice to the mineral-resource operators wishing to mine for precious metals. In other words, we are extending the invitation: Come and see us, we will help you forecast the situation in the sector you contemplate developing lest in the fall bitter disappointment sets in following a ham-fisted panning season.

The mineral-resource operators will undoubtedly receive with great satisfaction the government decree on state regulation of the generation of electric power on the territory of the Far East. This means that there will be subsidies, albeit small, but they will make it possible to maintain the level of payment for electric power in the 1995 panning season at the figure adopted by the Energy Commission in April of this year.

In other words, the oblast administration's set of measures is geared primarily to preserving the mining of gold placer. There are today very many of those wishing to work on contract and themselves obtain a license. And we are readily affording people this opportunity. In order to create an alternative to the notorious Ingushzolota—con men from which, taking advantage of the difficulties, are attempting to buy up gold from the mineral-resource operators—we are expanding the system of gold-acceptance offices. The prepayment problem will, evidently, have been fully resolved in the very near future with the opening of the precious metals market, when the conclusion of futures deals will be possible.

Concerning hydrous biological resources. We are making use of them only 50 percent at best. And this despite the fact that we possess the greatest advantage, which everyone knows full well: a huge raw material base and the unlimited possibilities of the Sea of Okhotsk, and all this alongside, right next door, so to speak.

The main task that we have set today is to cater for the processing of the fish product and at least supply it to the Russian market with a subsequent outlet onto the foreign market. We have a program for the updating of the fleet. It is necessary for its

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fulfillment to purchase new ships and refurnish the onshore processing enterprises with modern production equipment. In both cases investments, first, and, second, a dependable proprietor, who knows how to set them in motion, are needed. We are already tackling these problems.

It is contemplated this year spending somewhere in the range of $3 million on the purchase of highly efficient equipment for the production of a fish product corresponding to the world standard, and with this we could move onto the foreign market. We plan to locate it at the onshore enterprises, in the national villages, and the problem of the shortage of jobs will in this way be resolved. Such a company will start operation literally within a month in the village of Gadlya, and the modernization of several further onshore enterprises will follow.

But it is not always that equipment is the main thing here. It is important to have the people also—enterprising and energetic people who will ensure its reliable, rational use. The Olskiy Fish Factory obtained $450,000 for the purchase of equipment. And? Nothing happened for a year, the money is just about gone, and only now are things starting to move from standstill.

Our third base branch is agriculture. The lowest plank to which it was possible to descend has already been reached, we cannot go any further down, further down means collapse, that is, we are confronted squarely with the choice of whether there is to be agriculture in the region or not. If so, then thanks to what? We cannot look for subsidies. Yes, the oblast administration may fund the social sphere, support the production of milk and meat, fuel and seed imports, and field operations, and enlist the townspeople, primarily the unemployed, in fodder procurement.

But this by no means signifies that dependent sentiments will be encouraged, as before, and that we will reserve to ourselves concern for the problems which it would do the villagers no harm thinking about in proprietary fashion. The fact that high-quality, environmentally clean products are produced in the fields and on the farms of the oblast is considered indisputable. But the product is primarily raw material.

How is our agricultural producer losing out? In the fact that he works via a middleman and gives the middleman 60 percent of his earnings. Nowhere else in the world is this the case. The conclusion is the same—we need to develop mini-processing. We, for our part, are prepared to render financial assistance for the purchase of equipment, which would permit the milk to be processed in the place where it is produced. And to obtain from it a high-quality product in far greater demand than its overseas counterpart. We need, naturally, to keep our finger on the pulse of demand. If there is a demand for some commodity, there should be more of it, if not, we need to reorient ourselves. Such is the market, such are its conditions. And we need to learn to live under them and to learn to work and produce products close in terms of quality to the world level and in a quantity securing for the producer a normal income.

[Suchkov] Last year even the subject of "superfluous people" was heard frequently in talk about the problems of the region's economy, and the particular term "economic refugees" was heard even. Perhaps a reduction in the numbers of the population is economically advisable during the restructuring of the region's economy. Nonetheless, hardly anyone wants to fall into the "superfluous" category and become easy prey for dishonest operators vying with one another in offering "inexpensive" living quarters in the central areas of the country.... How in the future might the problems of people who have involuntarily become "casualties" of restructuring be resolved?

[Mikhaylov] The situation is shaping up in such a way that many communities in the oblast are truly closing down, but not in the least, believe me, because we want to close them or get rid of excess problems. But who is to blame for the fact that Tenkinskiy Rayon's Moy-Urusta and Susumanskiy's Burkandye are mining 90-120 grams of gold per capita? What can they live on? On subsidies? Where are they to come from?

Last year we received R35 billion from the state budget for migration processes, R17 billion of which were carried over to the current year. We consider it our main obligation to preserve for the next two years the departure compensation which has been allocated in accordance with Decree No. 1141 of the Government of the Russian Federation.

If we succeed, each person leaving the oblast will receive in the form of compensation for the living quarters he gives up start-up capital for him to be able to fend for himself in his new location. How should it be managed correctly? I hope that a mortgage law, a question on which we have put repeatedly to the president and the Government of Russia, seeking the adoption of the corresponding legislative instrument by the State Duma, will be adopted very soon. When it takes effect, mortgage banks with a substantial supply of housing at their disposal will come to be formed under government sponsorship. The northerner will apply to such a bank and hand over his compensation sum constituting part of the cost of the apartment, but he will obtain the apartment itself, regardless of this,

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immediately. On the condition only that it belong to the bank until he has settled accounts for it in full.

This is how the whole civilized world lives, and there are no slogans of the "Everyone is entitled to a dwelling" type, but everyone truly has living quarters, those that are within his means. We also are attempting to take this route of a resolution of the problem. Everything else, including the construction of housing on the "mainland" with the aid, as a rule, of dishonest Moscow middlemen thinking first and foremost of their own pockets, is a mirage, about which I spoke earlier also and which has repeatedly been borne out in practice.

[Suchkov] Does all that you have said mean that the oblast has practically passed the low point of the crisis and that the time when visible changes for the better will begin is not far off?

[Mikhaylov] I hope so. But, once again, I repeat, much, very much, will depend on us, on each one personally. Because no one will hand us anything on a silver platter. What we do for ourselves, this is what we will have....

Kabardino-Balkaria Parliament Meets

954F2677A Nalchik KABARDINO-BALKARSKAYA PRAVDA in Russian 29 Jun 95 p 1

[Report by Irina Mezova, leader of the Press Office of the Kabardino-Balkar Republic Parliament: "For Some, Tax Privileges, for Some Others, Right to Registration in the Kabardino-Balkar Republic"]

[FBIS Translated Text] A joint sitting of the Council of the Republic and the Council of Representatives of the parliament of the Kabardino-Balkar Republic was held the day before yesterday. The following matters were offered for the deputies' consideration: the draft law of the Kabardino-Balkar Republic "Charge for Use of Mineral Resources"; revisions to the decree of the Kabardino-Balkar Republic Parliament "Certain Measures To Regulate Immigration Into the Kabardino-Balkar Republic"; the progress of fulfillment of the decree of the Kabardino-Balkar Republic Parliament "Law of the Kabardino-Balkar Republic 'The Republic Budget of the Kabardino-Balkar Republic for 1995' in Regard to Granting the Republic's Enterprises and Organizations Tax Privileges"; candidates for the Election Commission of the Kabardino-Balkar Republic; and other business.

The discussion of the agenda was quite lively. Natbi Boziyev proposed that the list of farms that are granted tax privileges be supplemented by the Starocherekskiy Fruit Nursery. To this same end a further two farms were named by Eduard Kochesokov. Vladimir Tlupov proposed that the Kavkazfilm Film Studio be exempted from local taxes. Kanshobi Akhokhov called for information from the government in the other business portion on the organization of children's summer vacations, and Nikolay Fedorushchenko, for attention to be concentrated on the progress of the harvesting and its provision with fuel and lubricants.

Having adopted the agenda as a whole, the deputies embarked on discussion of item one. A report on the bill "Charge for the Use of Mineral Resources" was presented by Vladimir Pavlenko, chairman of the Commission of the Council of the Republic for Property. The interests of the government were represented by Albert Koval, leader of the Kabbalkgeolkom. The deputies discussed all the amendments proposed for the document and cleared up the controversial points.

Concluding consideration of the bill, the deputies decided to adopt it in its first reading. The pertinent commissions of the two chambers were instructed to complete it and submit it for consideration by parliament this July.

Ilyas Bechelov, chairman of the Council of the Republic Legislative Commission, spoke on the second item. He announced that Deputy Yuriy Belyayev had by way of legislative initiative submitted the draft decree "Revisions to the Decree of the Kabardino-Balkar Republic Parliament of 5 May 1994 'Certain Measures To Regulate Immigration Into the Kabardino-Balkar Republic.'" The revisions proposed by the deputy make it possible to register children for the accommodations of their parents, and their parents, of their children, and also brothers and sisters, for the accommodations of a brother or sister. The members of the Legislative Commission, who discussed the proposed draft, agreed with its first part, supplementing it with the words "without entitlement to registration for close relatives," and rejected part two.

The supplementary phrase proposed by the lawyer deputies seemed superfluous to Deputy Chairman Lyudmila Fedchenko, which she stated. It seemed to Gumar Murzakanov altogether inexpedient to return to this document, which, in his opinion, makes provision for every conceivable situation and scenario. Alluding to his experience of work on the government commission, Anatoliy Atalikov reported that the population flow into Kabardino-Balkaria was not diminishing. Nor, unfortunately, the deputy observed, can it be said that the people coming to the republic for permanent residence constitute or will constitute the best part of its population. Anatoliy Atalikov opposed the proposed revisions since, in his view, [words illegible] grandsons," whose living space is being constantly constricted. Zamir Shibzukhov, who informed his colleagues that all

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the possible consequences had been analyzed and that measures on how to avoid the undesirable ones had been specified, spoke on behalf of the lawyers.

Having heeded his arguments, evidently, the members of parliament supported part one of the proposed draft (concerning the registration of children and parents). Nikolay Maslov proposed the expansion also of the other subclause of the article, which dealt with the rights of brothers and sisters. Gumar Murzakanov took issue with him: "Peace and stability at home has been preserved only by the regions of the Russian Federation which have imposed restrictions on registration, Kabardino-Balkaria included. For this reason we need to do everything to preserve this tranquil atmosphere and even to tighten the passport procedures, if the situation so requires."

Akhmed Karmokov called for people to see on this issue no discrimination against the Russian-speaking population, which has lived together with the Kabardians and the Balkars in peace and friendship for decades. It is wholly a matter, he emphasized, of too many criminal elements having streamed into our republic.

According to the results of sociological surveys, Khasan Dumanov, chairman of the State Committee for Nationalities of the Kabardino- Balkar Republic, announced, the growth of the population of the Kabardino-Balkar Republic in the past five years has increased sharply. The number of mixed marriages, among which there are many so-called fictitious marriages, is growing also. He recalled that in Moscow a newcomer who has registered a marriage with a Muscovite may lay claim to registration only after the appearance of a second child in the family. It would make sense, the chairman of the State Committee for Nationalities of the Kabardino-Balkar Republic believes, to adopt this experience and grant a residence permit only after the appearance in such a family of the first child.

Ilyas Bechelov once again notified his colleagues that the proposed version of the decree was a compromise and that it would do away with a large percentage of the complaints received by the republic commission in connection with the residence permit refusals. Having concluded the debate, the deputies agreed on this version also. As a result a husband or wife will be able to register for the accommodations of the spouse without entitlement to a residence permit for close relatives, and children, for the accommodations of their parents, and parents, for the accommodations of their children.

A report on the third item was presented by Mikhail Mamkhegov, chairman of the Budget Commission of the Council of Representatives. He announced the decision of the Coordinating Council to consider the granting of tax privileges to three organizations that have found themselves in an extremely difficult situation: the Kabardino-Balkar Republic Chernobyl Union, the Vinograd closely held corporation, and the Selkhoztekhnika public corporation.

Gumar Murzakanov moved that this question not be considered, giving as his reason for this the fact that parliament would be extending a lifeline to habitues with debts in the billions at a time when pensions [words illegible], kindergartens are being closed down, and people are being forced to take their own medication and bedding with them to the hospitals. Deputies Boris Kerefov and Lyudmila Fedchenko put their questions to the speaker also.

Two positions were identified. Anatoliy Shalatov, Yuriy Bednev, and Khasaish Odizhev believed that it was necessary to help the above-mentioned organizations since without this they would conclusively "die." Akhmed Karmokov and Nikolay Fedorushchenko were for the adoption of a broader approach to the matter: The situation is difficult for everyone, and the question of tax policy needs to be posited on a wider and deeper plane.

Khasanbi Sheozhev, minister of finance of the republic, whom the deputies wished to hear, notified them of the serious state of the budget and requested that this matter not be considered and that the privileges be denied.

This evoked the perplexity of Zaurbi Nakhushev, speaker of the Council of the Republic: The government has sent parliament a petition for the three organizations to be granted tax privileges, and the minister of finance is requesting that this not be done.

All the questions were settled by Prime Minister Georgiy Cherkesov, who was present at the sitting: The minister of finance was speaking in a private capacity, all the proposals of the government have been substantiated and thoroughly analyzed.

The brief report of the prime minister evidently satisfied all the members of parliament inasmuch as they adopted a decree on all three organizations for which the government had interceded.

The deputies then appointed seven persons members of the Kabardino-Balkar Republic Election Commission (the remaining seven are appointed by the president of the Kabardino-Balkar Republic in accordance with the Statute on the Kabardino-Balkar Republic Election Commission).

Many matters were broached in other business. The deputies heard a report from Khazhismel Tkhagapsoyev, minister of public education of the Kabardino-Balkar

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Republic, and Roza Otarova, manager of the Kabardino-Balkar Republic Social Insurance Fund, and also a report from Deputy Prime Minister Khauti Sokhrok on the progress of the harvesting and its provision with fuel and lubricants.

Economic Issues

Reaction to, Commentary on Ruble Rate Decision

Panskov To Resign if Measure Fails

LD0507161595 Moscow INTERFAX in English 1231 GMT 5 Jul 95

[FBIS Transcribed Text] MOSCOW, July 5 (INTERFAX) — Russian Finance Minister Vladimir Panskov told journalists in the State Duma Wednesday [5 July] that he will resign if the joint move by the government and the central bank to fix the ruble between 4,300 and 4,900 points until October 1, 1995 fails.

"We have no fears, but we understand the responsibility the prime minister, economics and finance ministers and the Central Bank of Russia have assumed," he added.

Answering an INTERFAX question, he said the step's final goal was to achieve "stability on the currency market." "This is needed so as not to allow speculators earn on the exchange, to screen our exporters from sharp fluctuations in the dollar and the ruble," he emphasized.

According to Panskov, no consultations with commercial banks had been held before taking the step, but the decision is "by no means intended against commercial banks" which are also interested in a more stable ruble.

However, Panskov noted that the government and the central bank "have all levers for preventing negative consequences, there are reserves, and all options for the consequences have been considered and calculated," if commercial banks offer resistance to the step.

Chernomyrdin Comments

LD0507154295 Moscow ITAR-TASS World Service in Russian 1436 GMT 5 Jul 95

[By ITAR-TASS correspondent Oleg Velichko]

[FBIS Translated Text] Moscow, 5 July (ITAR-TASS) — The Russian Government will continue to fix a floating ruble exchange rate in relation to the dollar after 1 October this year, Prime Minister Viktor Chernomyrdin told journalists today after his meeting with first-year students of the Samara aerospace university at the House of Government.

According to the prime minister, the Central Bank and the Russian Government "have been dealing with this issue for a long time" while implementing a policy aimed at stabilizing the national currency.

Chernomyrdin thinks that the decision to introduce the temporary restriction on the fluctuation of the exchange rate within 4,300-4,900 rubles for one dollar "will ensure that the economy develops in a stable and predictable manner," both in the interests of the Russian population as a whole and the country's foreign partners.

Chubays: 'No Black Market Rate'

LD0507221895 Moscow INTERFAX in English 1934 GMT 5 Jul 95

[FBIS Transcribed Text] MOSCOW, July 5 (INTERFAX) — First Deputy Prime Minister Anatoliy Chubays said at a news conference in response to an INTERFAX question that if the variations of the exchange rate on the currency market are legally limited, there will be no black market rate of exchange, as in Soviet times.

Chubays explained that neither the government nor the Central Bank of Russia intend to limit the size of transactions on the currency market. He added that the CBR has accumulated an amount of hard currency sufficient to make any black market rate impossible by keeping the ruble within the desired range.

The government and the CBR have said in a joint statement that this range is 4,300-4,900 rubles/$1.

Neither Chubays nor acting CBR chairwoman Tatyana Paramonova told journalists what the CBR hard currency reserves are.

Chubays said the decision to restrict the variations of the exchange rate was made at a Wednesday meeting chaired by President Boris Yeltsin in Moscow. Yeltsin told the government and the CBR to draft an action program of financial stabilization and consolidation of the ruble which would tighten the budgetary and crediting policies in the second half of the year.

Chubays emphasized that the government does not expect a new inflationary spiral next fall, unlike what happened in the preceding years, because the economy in 1995 has been developing, so far, as planned.

He said that the government will not leave Paramonova to the tender mercies of the MPs who oppose fixing the exchange rate.

Chubays declined to say what currency regulation the government will use after October 1, when the joint statement expires.

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Gaydar: Decision 'Correct But Late'

LD0507201695 Moscow INTERFAX in English 1532 GMT 5 Jul 95

[FBIS Transcribed Text] MOSCOW, July 5 (INTERFAX) — Leader of the Russia's Choice parliamentary faction Yegor Gaydar said the decision of the Russian Central Bank and cabinet to limit the fluctuations of the ruble's exchange rate against the dollar was "correct but late and sluggish."

He told journalists in Moscow today that "this should have been done two months ago and, secondly, the decision should act until January 1 instead of October 1." Nevertheless, Gaydar said that on the whole he considered the decision of the Central Bank and Cabinet as "a transition measure which will lead either to a fixed exchange rate or to a fixed exchange rate which can vary."

"Beyond all doubt the cabinet and Central Bank have all opportunities for maintaining this corridor. The question is what they are going to do in the future and how they are going to pursue this exchange rate policy relying on the Central Bank's currency reserves," Gaydar said.

Gaydar said he believed that the limits of the "exchange rate corridor" were too broad and that much more narrow limits for ruble fluctuations against the dollar might be introduced.

Duma Budget Chairman Cited

LD0507201895 Moscow INTERFAX in English 1532 GMT 5 Jul 95

[FBIS Transcribed Text] MOSCOW, July 5 (INTERFAX) — Chairman of the State Duma Budget Committee Mikhail Zadornov (the Yabloko faction) said he believed that the top limit of the ruble's exchange rate against the dollar must be raised to 5,400 rubles/$1 (or 500 rubles more than the Central Bank and Cabinet decided).

He told journalists in Moscow today that when introducing the "corridor of 4,300-4,900 rubles/$1" the Central Bank of Russia and Cabinet "have a little overestimated the success of their activity on the stock market." He said that "it will be very hard to stay within such a corridor and this exchange rate is rather a fruit of an illusion under which the Central Bank and Cabinet are."

Zadornov said that it was hard to predict the true size of "the currency corridor" without exact information on the Central Bank's ruble and currency reserves. He said that, however, the "currency corridor" "must be closer tied to the real inflation." He said he believed that the Central Bank now had about $9 billion of currency reserves. Zadornov repeated that on July 1, 1994, the Central Bank had possessed $7 billion in currency reserves but had quickly spent them.

Zadornov said he thought that the inflation rate in October-November might be 8-10% which might break the balance on the currency market.

Panskov Statement Reviewed

MM0507202795 Moscow ROSSIYSKIYE VESTI in Russian 6 Jul 95 p 1

[Report by Marina Kryuchkova: "Limits of Ruble Exchange Rate Set. Will This Strengthen Our Currency?"]

[FBIS Translated Text] Something of which we had been warned repeatedly has nonetheless happened. Yesterday the Russian Government and the Central Bank declared that for "the purposes of ensuring stability on the currency market, protecting the producer, ensuring stability on the currency market, and protecting Russian producers and the population," a limit on changes in the ruble exchange rate on the exchange and interbank currency market is set at between 4,300 and 4,900 rubles [R] from 6 July through 1 October [sentence as published].

It is interesting that literally two hours before that report Vladimir Panskov, Russian Federation minister of finance, had assured us at a meeting with journalists devoted to a discussion of the draft budget for 1996 that a fixed ruble rate could not be introduced before the end of the year. He said that quite different financial and economic indicators were needed for this.

For example, the budget deficit must not exceed 3 percent; however, it has been approved for next year in our country in the sum of R87 trillion, with the gross product standing at R2,100 trillion. It is hardly possible to speak of other, equally weighty reasons if it took only a matter of hours to render them unconvincing.

In light of all this, I am somehow afraid to speak of inflation — so as not to spoil the plan. For next year, as follows from the draft budget, it must not exceed 2 percent a month, as distinct from the present 7-8 percent. This means that the policy of squeezing the money supply and accumulating currency reserves, which the government and the Central Bank of Russia have already begun and which has already resulted in appreciable strengthening of the national currency, will continue.

To cover the budget deficit, the government is promising not to resort anymore to the help of the printing press but to use, as emphasized in the president's budget message, nonemission funding. It is a question of all kinds of borrowings on the domestic and foreign markets.

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As regards the classes of expenditure, compared with the original claims, they were cut by a factor of 1.5 times. Thus, of the R259 trillion requested by the Ministry of Defense, just over half got into the draft budget — R134 trillion. On the other hand, expenditure on education and medicine has been increased this year. The future will show how much this will prove to be in actual money.

Imposition of 'Soft Peg' Viewed

MK0607104095 Moscow KOMMERSANT-DAILY in Russian 6 Jul 95 pp 1, 3

[Report by Vadim Bardin under "The Dollar Has Been Driven Into a Corridor" rubric: "The Central Bank Has Decided To Complete Financial Stabilization in a 'Shock' Way"]

[FBIS Translated Text] Everything is for the better in this best of worlds: What would have been a bolt from the blue in late 1994-early 1995 (KOMMERSANT-DAILY wrote about Russian departments' preparing to fix the currency rate at that time), may not even cause a sensation today. After working for three weeks amid strict secrecy, the Central Bank and the government, having received the president's approval, made public a joint decision on the imposition of a soft peg on the ruble from 6 July till 1 October, keeping it in the band of 4,300-4,900 rubles per $1; in other words, a 5-percent deviation from the current rate.

This Is Not at all Frightening

The Russian authorities have displayed rare consistency. On 27 January 1995 at a session of the International Economic Forum in Davos, First Vice Premier Anatoliy Chubays and Economy Minister Yevgeniy Yasin stated that the Russian Government was considering the possibility of fixing the ruble rate as early as in 1995. Later Yasin specified that the practical fixing could begin "in some three to four months," and he lived up to his pledge.

The Central Bank has proved to be no less consistent. The main vector of its policy recently has been inflation control. True, the bank has not as yet achieved any impressive success stories. The most graphic example is the toughening of reserves policy. This measure was conceived as anti-inflationary, limiting the credit activity of commercial banks. In effect things turned out somewhat different: The rate of the ruble began to grow and the purchase of dollars by the Central Bank led to an inflationary dumping of new rubles. So, reserve policy provoked an effect directly opposite to what was conceived, and the rate of inflation remained rather high. Then the Central Bank accomplished two other tasks. First, it once again humored itself with the role of master of the currency market. Second, it substantially replenished its currency reserves. Paradoxically, Yevgeniy Yasin told KOMMERSANT-DAILY's correspondent that it was the overfulfillment of the currency accumulation plan (the IMF target for 1995 was $11 billion) that prompted a change in currency policy.

As a result, after holding a rehearsal in May-June, the Central Bank staged an opening-night show of the rate floating within a set band.

In principle, some prerequisites have been put in place for such a decisive step. There are currency reserves; the tough budget, contrary to the usual practice, is being fulfilled; and the prime minister had good reason for saying that the tasks of the financial stabilization stage will be resolved this year. The Central Bank, perceiving the premier's opinion as guidance for action, reacted correspondingly. The main idea is to use the peg to remove inflationary expectations, which is not insignificant for the coveted financial normalization.

The answer to the question of why the peg was imposed yesterday is also evident. Another discussion of Tatyana Paramonova's candidacy at a plenary Duma session was set for that day, and predictably it was not going to be all smooth sailing for the acting Central Bank chairman. Under these conditions the advocates of a new currency policy found themselves under pressured for time: It was time to think about alternative candidacies whose position with respect to fixing the rate of the ruble is not clear. On the other hand, Paramonova's decisive actions can win her more points: The discussion of her candidacy in the Duma was moved to 19 July.

In view of a basically new situation on the Russian currency market, pressure on the part of the IMF has sharply intensified toward fixing the ruble exchange rate in one form or another. The fund's experts, according to Yevgeniy Yasin, approved the imposition of a 10-percent spread. The fund's position always (especially this year) has an active impact on Russia's economic policy. There can be no doubt that the government will not miss the chance to report to the IMF on the imposition of the peg as its new economic victory.

Inflation Will Turn Green

The man in the street will welcome the peg: If the Central Bank and the government keep their word and keep the rate within the established boundaries, his real income in dollar terms will be substantially ensured against depreciation. Therefore the peg can be regarded also as an action by the party of power in the election struggles. But, to be sure, the peg will not be devoid of casualties. Naturally, the list of victims is topped by currency futures market operators who played on

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the rise on the dollar, and also small-time speculators (including the banks, of course) on the currency market. It will be correct to say that the Central Bank has at the same time realized Viktor Gerashchenko's old idea about the need to streamline the banking sector.

Meanwhile the growth in prices continues. On 1 July, it received a new impulse as a result of import duties being raised. In spite of the fact that the peg — even if soft — is a premium to importers, there is no certainty that the fixed rate policy will fulfill the role of a price anchor. As a result, amid continuing inflation, which is also taking on a dollar tinge, the positions of exporters are especially deplorable.

To forecast how currency policy will evolve after 1 October is most difficult. Questioned as to what will happen after 1 October, Viktor Gerashchenko responded laconically: "After the first will come the second." Well, it is at least encouraging that the 18th will not come all at once. Yevgeniy Yasin was more forthcoming. In his opinion, after 1 October the currency policy should proceed from an accelerated decline of the ruble rate, which should be taken into account in engineering a new corridor of fluctuations. Anatoliy Chubays refused to make any forecasts but Tatyana Paramonova observed, with female insidiousness, that the continuation of the new policy will directly depend on the results secured by 1 October, thus not ruling out the possibility some of the moves being retracted.

London Club Agrees To Restructure Russia's Debt

LD0607101995 Moscow INTERFAX in English 0916 GMT 6 Jul 95

[FBIS Transcribed Text] FRANKFURT-ON-MAIN, July 6 (INTERFAX) — Moscow and the London Club have preliminary agreed to restructure Russia's debt for 25 years, Oleg Davydov, Russia's deputy prime minister in charge of foreign economic ties, reported to INTERFAX on Thursday.

On July 4-6 in Frankfurt-on-Main, he held talks with the leadership of that organization of creditor-banks, expecting Moscow to pay a total of $25 billion back.

According to Davydov, "so far, the sides have decided not to sign an official accord, confirming their basic understanding to give Russia a longer period to repay its debts, since they have failed to come to terms on a number of debt repayment points."

For instance, on how to compute annual interest. Moscow, as Davydov pointed out, still insists on easy annual repayment terms, presupposing the computation of interest by the market rate plus 0.5%. "Such a mechanism would allow Russia to repay the debt without putting its economy at risk."

However, as an expert from the Russian delegation has remarked, since the London Club has so far been unprepared to accept Moscow's terms in full, it has taken a time-out to scrutinize the unsettled issues with all members of that organization, comprising some 600 creditor-banks.

As a senior Russian Finance Ministry official who participated in the talks has revealed to INTERFAX, the sides decided to form a working group to reconcile the remaining differences. The group will look for mutually acceptable solutions during the next few months so that in autumn Moscow and the London Club could be ready to sign a detailed document on Russia's repayment of its debt within 25 years.

Meanwhile, a member of the Russian delegation Anatoliy Nosko, president of Russia's Vneshekonombank doubts that "the London Club will forestall events and will choose to wait for the conclusion of an agreement between Moscow and the Paris Club of creditor-countries to use it as a precedent for signing an agreement with Russia on similar terms."

Government Decree on 1995 Federal Budget

MM0607091795 Moscow ROSSIYSKAYA GAZETA First Edition (Document Section) in Russian 5 Jul 95 p 4

[Russian Federation Government Decree No. 586 "On the Results of the Implementation of the Federal Budget in the First Quarter of 1995 and the Tasks To Ensure the Implementation of the Federal Budget in 1995," signed by V. Chernomyrdin, chairman of the Russian Federation Government, and dated Moscow 24 June 1995]

[FBIS Translated Text] The Russian Federation Government, having examined the results of the implementation of the federal budget in the first quarter of 1995, notes the following:

The tough financial and credit policy consistently pursued in the first quarter of 1995 made it possible to substantially limit the level of inflation compared with the beginning of the year and laid the foundation for ensuring financial stabilization in 1995. Gold and currency reserves doubled compared with budget estimates. Dramatic fluctuations in the national currency were prevented. State debt payments were ensured.

At the same time during the first quarter of 1995, the federal budget failed to receive certain kinds of revenue

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along with credits from international financial organizations. In this connection federal budget spending was 81.8-percent funded.

With a view to ensuring the implementation of the federal budget in 1995 the Russian Federation Government decrees the following:

1. Leaders of federal executive organs and Russian Federation component executive organs are to take steps to mobilize federal budget revenue and spend budget funds in an economical and rational manner, mindful of the need to ensure that enterprises, organizations, and establishments funded by the federal budget receive them promptly and in full.

2. The Russian Federation Ministry of Finance is to do the following:

Fund by 1 July 1995 expenditure on the Russian Federation's ministries and departments (with the exception of the Russian Federation Defense Ministry, the Russian Federation Ministry of Internal Affairs [MVD], and the security services) and also expenditure on federal targeted programs via the system of federal treasury organs.

Submit proposals within a month to the Russian Federation Government regarding the procedure for issuing treasury tax exemptions in 1995 to enterprises and organizations that supply output, perform work, and provide services for which it is envisaged that federal budget funds will pay.

3. The Central Bank of the Russian Federation is advised of the following:

To complete by 1 July 1995 the coordination of the procedure submitted by the Russian Federation Ministry of Finance for the funding of federal expenditure via federal treasury organs in Russian Federation components by means of quotas for federal revenue collected in the relevant territories.

To ensure the unswerving implementation of the provisions of the Federal Law "On the 1995 Federal Budget" as regards the remittance of its profits to the federal budget within the deadlines agreed with the Russian Federation Ministry of Finance.

4. With a view to stepping up monitoring of the use of state funds Russian Federation ministries and departments, enterprises, organizations, and establishments funded by the federal budget are to provide federal treasury organs at the latter's request with information regarding the movement of monetary funds through all the economic entities' accounts.

5. The Russian Federation Committee for Trade's State Trading Inspectorate, with the participation of the Russian Federation MVD, the Russian Federation State Tax Service, and the Russian Federation Tax Police Department, is to carry out mass inspections to verify the unconditional observance by organizations selling alcohol of the procedure governing sales thereof with excise stamps [s nakleyennymi aktsiznymi markami] and on the basis of the results of the aforesaid inspections submit the relevant proposals to the Russian Federation Government by 15 July 1995.

6. With a view to stepping up checks to ensure the real accumulation of federal budget revenue from tax receipts on sales of alcohol in the second quarter of 1995:

The Russian Federation State Tax Service in conjunction with the State Inspectorate for Ensuring the State Monopoly on Alcohol under the Russian Federation Government, the Russian Federation Ministry of Agriculture and Food, and the Russian Federation Ministry of Finance is to monitor the federal budget's prompt and full receipt of license fees and taxes on alcohol;

The Russian Federation MVD is to take measures to detect and eliminate enterprises illegally manufacturing this output.

The results are to be reported to the Russian Federation Government by 15 July 1995.

7. The Russian Federation State Customs Committee and Russian Federation component executive organs are to step up supervision of imports of output subject to duty from the CIS states and other foreign states.

8. The Russian Federation State Customs Committee is to take additional steps to ensure the implementation of the prescribed targets for the mobilization of customs payments to the federal budget, paying particular attention to full customs clearance for strategically important goods subject to duty, the prevention of smuggling in respect of the aforesaid goods, and the stepping up of customs and currency controls.

9. The Russian Federation State Committee for the Management of State Property and the Russian Federation Ministry of Finance are to ensure the unconditional implementation of revenue envisaged by the federal budget from privatization and the use of state property, employing nontraditional means of attracting the resources of commercial and banking structures, including the transfer to commercial control of state shares in privatized enterprises.

10. The "Rosvooruzheniye" State Company is to conclude contracts in the second quarter of 1995 for the export of arms and military hardware to ensure federal

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budget receipt of funds envisaged by Article 13 of the Federal Law "On the 1995 Federal Budget."

Panskov Outlines Provisions of Draft 1996 Budget

LD0507105995 Moscow INTERFAX in English 0924 GMT 5 Jul 95

[FBIS Transcribed Text] MOSCOW, July 5 (INTERFAX) — Russia's finance minister told a news conference Wednesday [5 July] that a draft budget for 1996 envisioned revenues of 355 trillion rubles and expenditures of 440 trillion rubles, with a deficit of 85 trillion rubles, or 4% of the country's GDP.

The government plans to cover the deficit with non-inflationary means such as internal borrowing of 50 trillion rubles and foreign loans of 35 trillion rubles.

According to Panskov, Russia's GDP will reach 2,100 trillion rubles in 1996, while industrial output 98-102% of the level of 1994.

Panskov said next year's budget policy will make the main accent on the social sphere. The total social expenditures will grow from 0.3% this year to 0.7% in 1996, while those on health care from 0.3% to 0.4% and those on education from 0.6% to 0.7%.

Investments are expected to grow significantly, chiefly in highly efficient projects, and be distributed by tender. Such projects will receive 2 to 2.5 times more funds than in 1995. Funding military conversion projects will double.

Panskov said there were plans to lift the special tax and the salary fund tax. A number of inefficient privileges will also be abolished. The monthly inflation rate is expected to be as low as 2% in 1996. The defense expenditures will rise from 50 trillion to 76 trillion rubles.

Panskov emphasized that the government had never discussed any changes in the monetary circulation system. "No changes in this area are expected," he added.

Finance Minister Gives 1996 Draft Budget Figures

MM0507161195 Moscow IZVESTIYA in Russian 6 Jul 95 p 2

[Report by Yaroslav Shimov: "The Finance Minister Is Full of Optimism for the 1996 Budget"]

[FBIS Translated Text] The Russian Ministry of Finance has prepared the draft federal budget for 1996. This draft will be discussed by the government and submitted to the State Duma before 20 July, when parliamentary vacations begin. Vladimir Panskov, head of the Ministry of Finance, has noted with satisfaction that this time there is every chance of approving the new budget without a delay, before the end of the current fiscal year.

According to the minister, the main difference in the 1996 budget is its greater social orientation. Displaying increased attention, at least verbally, to the social sphere has in recent years become a kind of rule of good form for the budget's compilers. As for specific figures, next year's expenditure on health care, for example, will amount to 0.4 percent of GDP (0.3 percent of GDP in 1995), and on education — 0.7 percent (currently 0.6 percent).

The finance minister reported that the main budget parameters look as follows in the draft: revenue — 355 trillion rubles [R]; expenditure — R440 trillion; budget deficit — R85 trillion (4 percent of GDP). In addition to social needs, it is proposed to increase expenditure on promising projects in the high-tech sphere and also on conversion programs by 150-200 percent. As for the budget deficit, the Ministry of Finance intends that R50 trillion will be covered next year out of internal sources and only R35 trillion will be covered out of IMF credits and other foreign loans.

It seems that many departments that submitted their claims when the draft budget was being drawn up will once again have to tighten their belts. The Ministry of Defense, for example, originally requested R259 trillion for its needs next year. A "corrected" claim was then drawn up — this time for R134 trillion. In the final version of the draft, however, R76 trillion is to be allocated to defense — which will, however, amount to 17 percent of the expenditure part of the budget.

Judging from the government's budget estimates, it continues to believe religiously in the success of its policy of financial stabilization: The rate of inflation enshrined in the draft budget is unprecedentedly low — no more than 2 percent a month. But, according to Vladimir Panskov, the approximate dollar rate at which certain classes of expenditure will be calculated has not yet been determined. One of the two options proposed is R5,200 to the dollar. The second option is "less optimistic," as the minister put it.

The finance minister voiced the hope that the draft budget will not encounter any special objections at the government session before being forwarded to the Duma. In that case the government will confirm yet again the immutability of its moderately tough financial policy.

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Price Increases, Inflation Levels Cited for Jun

MM0607112795 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 5 Jul 95 p 3

[Report by Russian Federation Government Center for the Economic Situation Price Analysis and Forecasting Administration under the "Month's Prices" rubric: "Goods Getting More Expensive But at a Slower Rate"]

[FBIS Translated Text] The general inflation index was 106.7 percent for June and 178 percent for the period since the beginning of the year. Increases in charges for consumer services continued to outstrip price increases for foodstuffs and non-food goods. The average cost of a selection of the 19 most important food products increased to 196,000 rubles for the month.

A gradual slowing down of inflationary processes continued to be observed in June. At 6.7 percent, the level of inflation last month was the lowest recorded during the current year. Compared to May, foodstuffs increased in price by 7.6 percent, non-food goods by 4.6 percent, and consumer services by 8.7 percent.

At 8.9 percent, the most significant price increase for consumer goods and services was observed in the Central Chernozem Region. In the Far East Region, the price of consumer goods and services increased by 8.3 percent. The smallest price increase, of 5.3 percent, was in the West Siberia Region. There was an average increase of 80 percent in the price of foodstuffs over the entire period from January through June in Russia.

For the third month in a row, it has been noted that the price of fruit and vegetables has been increasing at a faster rate, largely due to the new harvest. Comparing the end of June with May, vegetables increased in price by 26 percent, potatoes by 18 percent, and fruit by 8 percent. Of the other food products being monitored, the following saw the greatest price increase, 9-12 percent: bread, bread and flour products, flour, sugar, nonalcoholic drinks and ice cream, and meals at public catering establishments. At the same, the prices of dairy products and margarine more or less stabilized in the course of the month. Butter and eggs decreased in price by 2.3 and 0.8 percent respectively.

At 10 percent, the highest June price increase for foodstuffs was observed in the Central Chernozem and Volga Regions. Setting aside the universal price increases for vegetables and fruit, prices for drinks and meals at public catering establishments increased significantly in these regions. Bread increased in price by 18 percent by the end of the month in the Central Chernozem Region, and by 8 percent in the Volga Region; the price increases for pasta and groats were 13 percent and 8 percent respectively.

Compared to last month, the average cost of a selection of the 19 most important food products increased by 8.5 percent. At 31, 28, and 22 percent respectively, the selection's price increased most in Yakutsk, Nalchik, and Vladikavkaz.

The rate in the increase of prices for non-foods during the current year is gradually slowing down.

Taking the period since the beginning of the year as a whole, non-food goods have increased in price 60 percent, with the highest increases for gasoline — 150 percent; imported cigarettes — 120 percent; and household and toilet soap, medicines, bicycles, and motorcycles — 100-110 percent.

The highest increase in prices for industrial goods — of 5.6-5.8 percent — was observed in the cities of the Central Chernozem, North Caucasus, West Siberia, and East Siberia Regions, and the lowest increase — of 3.4 percent — in those of the Volga Region.

The trend continued in June for prices and charges for consumer services to increase at a faster rate. Last month services increased in price by 8.7 percent, and they have increased 120 percent since the beginning of the year. With a 20 percent increase, rent for apartments in municipal housing stock, rates for travel on long-distance trains, and the cost of excursions on motor ships increased the most during June

For the types of services being monitored, the greatest price increase since the beginning of the year has been a threefold increase for housing and utilities, including a fivefold increase in the price of gas. Apart from this, the cost of traveling on suburban trains increased 170 percent, and that of postal services increased 140 percent.

Economy Ministry on Foreign Investment, Inflation

MK0607092095 Moscow SEGODNYA in Russian 6 Jul 95 p 2

[Report by Elmar Murtazayev under the "Expectation" rubric: "Foreign Investors Take Time-Out Until Mid-1996. Government Fulfills Its Obligations and Expects Same From IMF"]

[FBIS Translated Text] The higher-than-promised monthly rate of inflation in Russia is only dictated by the population's high inflationary expectations and the cost-push inflation characteristic of the Russian economy, Yakov Urinson, deputy economy minister, stated in a press conference in the Economy Ministry yesterday. "The government is fulfilling its obligations agreed with the International Monetary Fund," he noted, "and expects that the IMF will reciprocate, especially on credit questions."

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Describing the results of the fourth sitting of the Consultative Council for Foreign Investments, the deputy economy minister attributed the slump in foreign investments into the Russian economy in the first quarter of 1995 to the fact that foreign investors have been taking a time-out until the middle of the next year, when the results of the parliamentary and presidential elections in Russia will have become known. It is both doubts in the political stability and the "criminalization" of society, in the deputy minister's mind, that are the main factors slowing down investment activity. Nevertheless, in forecasting further dynamics of inflation, Mr. Urinson assured the journalists that the country is on the brink of a second investment boom that he thinks will begin from the growth of portfolio investments. The direct investment situation is supposed to alter after the new versions of the laws approved by the State Duma — "On the Division of Products," and "On Foreign Investments in the RSFSR" — go into force. Mr. Urinson urged against overestimating the role of foreign investors, who can provide for only 10 percent of what the Russian economy requires in investments. Besides, the deputy minister thinks that the process of the return of Russian capital is at long last getting under way, which is confirmed, in the first quarter of 1995, by the growth from 5 to 10 percent of the share of remaining long-term borrowing in the aggregate sum of the debt.

Speaking on the introduction of new customs duties as of 1 July, Mr. Urinson said that this step had been dictated by Russia's intention to join the World Trade Organization. The harmonizing of the Russian rules that regulate commodity turnover with world trade principles, in the deputy minister's mind, consists in "cutting the overall level of customs duties by 4 percent, and in renouncing a non-tariff regulation of import." Mr. Urinson described as "too emotional and dramatic" the expectations of Moscow City Hall and a number of Russian economists that food prices will soon soar by 30 percent. In his view, the price of imported food is lower because foreign governments subsidize their agricultural producers, and as soon as Russia "finally ruins its own agriculture, foreign exporters would at once jack up prices."

Interview With AutoVAZ President on Production

954F2663A Moscow ARGUMENTY I FAKTY in Russian No. 26, Jun 95 p 5

[Interview with AO AvtoVAZ president Vladimir Kadannikov by S. Zhigalov in Samara; date not given: "Where Are Zhigulis Going?"]

[FBIS Translated Text] The range of opinions about the Volga Auto Works [VAZ] in Russia spans from "We love VAZ" to "VAZ is beyond our reach!"

"One wants to bow deeply to VAZ for functioning smoothly even in the current environment of economic disarray, but at the same time one wants to ask: Dear friends, when are you going to make an automobile that does not fall apart and rust overnight?" With this question or opinion, once voiced in the ARGUMENTY I FAKTY editorial offices, we began our conversation with AO [joint-stock society] president AvtoVAZ Vladimir Kadannikov.

[Kadannikov] Regarding "rusting and falling apart," this is a matter of opinion. Foreign-made cars also fall apart on our roads. But you are right in many respects. The dropping quality of our cars is obvious. It would be foolish to deny it. The reasons are common knowledge: Delays with payments, killer taxes, disruption in the operations of suppliers.... For instance, the main assembly line stops for an hour because of a lack of component parts. Components are then flown in, and we have to make up for the downtime. While normal assembly line speed is 4.6 m/min, we run it at five! In other instances, in order not to stop the main assembly line, we put cars with missing components in paved areas outside shops, or even on lawns and then finish the assembly manually. This affects quality. There was a time when up to 30 percent of components were added on this way. Now it is 9-11 percent. This does not mean that an equal percentage of our cars are defective. Incomplete automobiles are later brought to the proper condition in Shop 46.

The dip in quality is to a great extent because of equipment obsolescence.

[Zhigalov] Vladimir Vasilyevich, was it not you who advocated high import tariffs on foreign cars, fearing competition on their part?

[Kadannikov] Not guilty. I asked Shumeyko and Filatov whose idea it was. They said it was somebody at the Ministry of Finance, but did not name the author. I personally am not against importing foreign cars into Russia. We sell Zhigulis and Ladas to more than 100 countries in the world. They sell their cars here. This is what a market is. By the way, import tariffs in Latin American countries are as high as 30-40 percent of the cost of the automobile. In Europe, however, they are considerably lower—somewhere around 7 percent.

We are now conducting negotiations on setting up the assembly of VAZ models in Finland. This country is a member of the European Common Market. Among other benefits, this provides relief from import tariffs.

[Zhigalov] Are you saying that you are not concerned about competing with Volkswagens, Volvos, and Mercedes?

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[Kadannikov] No, I am not! And this is not jingoism. Not too many people can afford to buy expensive foreign-made cars. And the maintenance costs of cheap foreign-made cars here will bankrupt the owner. Why? Foreign cars do not fit in here. Over there, they have roads; here we have headings. We initially took the Italian Fiat-124 as the base for Zhiguli. After modifications for our conditions, this car became 80 kg heavier—due to reinforcement of components. Also, the weather conditions here are harsher.

Just recently a world-famous car company asked us to test their new model in our conditions. Their gasoline, their lubricants. Well, on our roads their car made it to 50 percent of its declared life.

Russian car owners have already figured all this out. Those who buy used foreign cars have plenty of headaches with them.

[Zhigalov] I would agree with your arguments if VAZ car prices were affordable. But they are astronomical!

[Kadannikov] We set these prices in dollars two years ago and to this day practically have not raised them. This is considering that prices for energy, metal, and component parts are rising like mad. Car prices in rubles have increased threefold, the price of metal — fivefold, and the price of most components — 4.5-fold. Some parts and component units now cost more than foreign ones. I ask directors: "Guys, what do you think you are doing raising prices so high?" "Energy prices are going up, and everything is becoming more expensive," they say. VAZ is the final link in this chain!

[Zhigalov] What about the world market — are you raising prices for you cars too?

[Kadannikov] How do you explain, for instance, to the French why the "niner" [Model 2109] this year costs more than last year? "Energy prices are going up, everything is becoming more expensive...."? Nevertheless, we raised wholesale prices for importers by an average of 13 percent this year. No, demand did not drop. We have more orders than we can fill. Last year we sold 280,000 Zhigulis abroad, and this year we plan to sell 200,000.

[Zhigalov] Dumping prices?

[Kadannikov] That is old talk. If it were not profitable for us, we would not be selling them.

[Zhigalov] What foreign-made cars do you like?

[Kadannikov] I like Volvo, and Nissan and Grand Cherokee jeeps.

[Zhigalov] Vladimir Vasilyevich, when will the long-promised "10" [Model 2110] come on the market?

[Kadannikov] We were planning to put the "10" into serial production in 1992. We purchased $1 billion worth of equipment for it. We need about another $400 million to fully outfit the production line for the new car. Now this billion is dead capital. Instead of 240,000 "10's" a year we will be making only 40,000. Who benefits—AvtoVAZ, the motherland?

[Zhigalov] Where are you going to get the remaining millions?

[Kadannikov] I have no idea! Everything we earn sinks into taxes like into quicksand. The rest is eaten up by salaries, purchase of materials and components, and equipment repairs. Credit? At 200 percent, we cannot keep up with payments. We are up to our ears in debt. We owe the city budget, and the oblast and federal budgets.... And others owe us more than a trillion [rubles].

We are fully aware that delaying the new model is fraught with a loss of position on the world market. If, God forbid, we withdraw, we will definitely not recover in our lifetime. Our place will immediately be taken by others. The same Volkswagen is operating four days a week, due to not enough of a distribution market. But just whistle, and they will start working three shifts, seven days a week.

[Zhigalov] You are a member of the presidential tennis club. Do you play with Yeltsin?

[Kadannikov] What club? I do not even play tennis....

[Zhigalov] The main criminal vortex forms around companies reselling VAZ cars. Huge capital is being made on the difference between the plant's wholesale price and the retail price.

[Kadannikov] Racketeering, or bribery, does not develop around a village with one and a half old women and a deaf old man. We cannot do without the dealers who sell our cars. Because we give them cars on prepayment terms.

(In this case, it is unclear where amounts in the trillions— which is how much LogoVAZ alone owes— come from.—Editor)

[Zhigalov] We hear that lately you are being guarded by presidential security men.

[Kadannikov] This belongs to the realm of rumors.

[Zhigalov] But your bodyguards are from Moscow, are they not?

[Kadannikov] At first I had guards from local UVD [administration of internal affairs] personnel. Now the

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plant services have signed a security contract with some Moscow firm.

[Zhigalov] Are you being threatened?

[Kadannikov] Personally — I have not been threatened even once. Perhaps the services have some information that makes them worry.

[Zhigalov] Do you think so?

[Kadannikov] Other people owe the plant a trillion! We are putting pressure, as they say these days, on our debtors. Not everybody likes it.

[Zhigalov] Vladimir Vasilyevich, for as long as I can remember you have been close to politics and politicians. But it has never gone beyond talk and offers to become prime minister. How do things stand now?

[Kadannikov] My position is the same — I make cars. But I have decided to take active part in the Our Home—Russia movement. Russia's fate will depend to a large extent on the people who come to parliament. The previous and the current parliament have settled, while we watched them on television and snickered. If the new parliament suddenly decided to turn the country back, or perhaps sideways — I think society will not survive a new "maneuver." It will be chaos. People will go under the bridge with bludgeons!...

[Zhigalov] Who do you want to see in the parliament?

[Kadannikov] Not radicals: "Elect me, I will bring you two free trainloads of bananas." The new parliament should include people of a centrist orientation. The main difficulty, in my opinion, is to persuade authoritative, knowledgeable people to run. To guarantee that they can return to their old jobs after serving their term in parliament.

[Zhigalov] How are you going to implement your idea? Would this not be with the help of VAZ money? There are already rumors that Kadannikov is bringing dollars to Moscow by suitcase, to sustain the election campaign?

[Kadannikov] One of your colleagues on television went as far as to say that in addition to a R140 million monthly salary I allegedly get $100 (!) from each car we make. Apparently, the guy's arithmetic is all mixed up. This makes it $250,000 a day, and what would it come to per month, per year? No amount of three-liter jars or suitcases would be enough. I can bring a suitcase of debt notes to Moscow, though.

I will use my standing to persuade our candidates to run, and I will help with money too.

[Zhigalov] There are rumors that your relatives own strong-arm firms in Tolyatti and Moscow.

[Kadannikov] My wife and I do not have any close relatives, except our children. My older sister lives near Moscow; she is a teacher. My wife's parents also died a long time ago. We have two daughters. The younger one, Katya, is a student; the older one, Tanya, is an economist. Our son-in-law, Volodya, works at the VAZ. My wife has also worked at the plant all her life. What else? I have a 1986 "nine." A dacha with six-hundredths of land. Last year I never got around to going there. A company car—a "99" [Model 2199]. When the driver is on leave, I drive it myself.

[Zhigalov] What is your forecast for AutoVAZ's future?

[Kadannikov] What can you forecast in a house that is in the middle of an earthquake and at the same time is on fire and being flooded?! As the saying goes, all we can do is survive the day and then the night! [end Kadannikov]

FROM THE EDITORS: We did not find all the replies of our main producer of passenger cars convincing. Although, perhaps we are wrong. Therefore, we turn to the most experienced specialists in this matter — private car owners and professional drivers. Let us know your opinion of the cars' quality and price, and the distribution mechanism; compare them with foreign-made models. And, most importantly, advise us in which direction Russian car manufacturing should "drive."

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International Affairs

Presidential Team Continues Visit to Germany

Kuchma Emphasizes European Integration

LD0507223795 Kiev UNIAR in Ukrainian 1830 GMT 5 Jul 95

[FBIS Translated Excerpt] Berlin, 3 July [date as received] — While on an official visit to Germany at the head of a delegation from Ukraine, Ukrainian President Leonid Kuchma was in Berlin. [passage omitted]

"We regard the inclusion of Ukraine in multilateral cooperation between European states as an important step towards reversing the injustice of the past when Ukraine was in artificial isolation from the rest of Europe," President Kuchma, in particular, said in his speech. "Ukraine perceives itself to be an inseparable part of Europe, doing everything it can to step up its integration into European economic and political structures. The international community and, primarily, Germany demonstrates an ever greater understanding of this aspiration of ours and gives it its backing." [passage omitted]

Kuchma: German Investments Needed

LD0507223595 Moscow INTERFAX in English 1901 GMT 5 Jul 95

[FBIS Transcribed Text] FRANKFURT AM MAIN, Germany, July 5 (INTERFAX-UKRAINE) — Ukraine needs long-term German investments, President Leonid Kuchma told German businessmen in Frankfurt am Main.

He is in Germany on an official visit.

Kuchma said that investments into incomplete military research and development projects would be most welcome.

He listed control engineering, chemistry, material science, electric welding, rocketry and space communication among other investment fields.

Kuchma believes Ukraine could export motors, tractors, cars, instruments and metals. He said long-term investments could be effective in metallurgy modernization.

He thinks investments could also prove effective in those industries which would manufacture products that are now being imported into Ukraine. He added that the decommissioning of the Chernobyl nuclear power station was also an important field of activity.

Kuchma called for transferring advanced German agricultural technology to Ukraine.

Economic Minister on Team Visit

LD0507224795 Kiev UNIAR in Ukrainian 1830 GMT 5 Jul 95

[Interview with Roman Shpek, first deputy prime minister and economic minister, by an unidentified UNIAR correspondent in Berlin, date not given]

[FBIS Translated Text] [No dateline as received] — [Correspondent] What is your assessment of this visit?

[Shpek] It is a favorable one. This visit opens before us new opportunities for economic cooperation. The political accords reached by the top leadership enable the governments and business circles in Ukraine and Germany to search for new ways of resolving Ukrainian-German cooperation issues, setting up joint ventures, making direct investments and opening credit opportunities, which was the subject of talks between Ukrainian President Leonid Kuchma and Federal Chancellor Helmut Kohl and Finance Minister Theo Waigel. This also was discussed in my conversation with Economy Minister Rexrodt. We witnessed interest when meeting representatives of private firms and heads of banks.

[Correspondent] Specifically, what steps will Ukraine take to maintain this interest?

[Shpek] First of all, this will be to continue our financial stabilization policy, the necessary prerequisite being a shift in the emphasis of reforms to microlevel. We must create conditions which would be favorable for the manufacturer who would naturally be the manufacturer of competitive goods, and which would be favorable for energy saving. This is a matter of economic security. This can be done by attracting investment, new technologies and new style of management. The president made clear in his latest speeches that economic reform should center on microlevel, on condition, however, that we continue support for financial stabilization and keep inflation under control.

Foreign Minister Meets Kinkel

LD0507210395 Moscow INTERFAX in English 1946 GMT 5 Jul 95

[FBIS Transcribed Text] BERLIN, Juyly 5 (INTERFAX-UKRAINE) — Ukrainian Foreign Minister Hennadiy Udovenko on Tuesday [4 July] met his German counterpart, Klaus Kinkel.

During the meeting, Kinkel promised that Germany would support Ukraine in its bid to join the Council of Europe, Udovenko told INTERFAX-UKRAINE. "Recently we have had some problems with being admitted to the Council of Europe this year," he said.

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He also said he had voiced a request for Germany to ratify a partnership agreement between Ukraine and the European Union, signed last year. To date the accord has been ratified by Britain and Spain.

Commenting on the Bosnian crisis, Udovenko said: "Germany expressed satisfaction with Ukraine's participation in the U.N. peacekeeping contingent."

Ukraine takes the line that, while the peacekeepers must remain in the former Yugoslavia, the crisis must be resolved through negotiation, Udovenko said. "Air strikes won't be of any use," he said.

Udovenko said one of the subjects he had taken up with Kinkel were restrictions recently put by Bonn on Ukrainians' entry into Germany. The German embassy in Kiev has drastically reduced the number of entry visas issued to Ukrainian citizens, mainly to truck drivers, Udovenko said.

Ukrainian-Polish Foreign Policy Consultations

LD0507220895 Kiev Radio Ukraine World Service in Ukrainian 1600 GMT 5 Jul 95

[FBIS Translated Text] Ukrainian-Polish consultations at the level of foreign affairs ministries have ended in Warsaw. They were held within the framework of regular bilateral negotiations. First Deputy Foreign Affairs Minister Borys Tarasyuk led the Ukrainian delegation.

The consultations looked at a wide range of interstate relations in primary areas and, in particular, in the sphere of politics and the economy. The sides exchanged opinions on European and regional security issues and the role of international organizations in creating an atmosphere of stability and mutual understanding on the continent.

Delegation to Argentina for Presidential Inauguration

WS0607080995 Kiev UKRINFORM in English 0710 GMT 6 Jul 95

[From the "Current Events" feature]

[FBIS Transcribed Text] As reported by the press service of the Ukrainian Foreign Ministry, Ukraine will send a delegation to the inauguration ceremony of Argentina's newly-elected President Carlos Saul Menem, which is due to begin on July 7. The Ukrainian delegation to the ceremony will be headed by Chief of Ukrainian Presidential Administration Dmytro Tabachnyk. He will later meet with Mr. Menem to deliver a personal message from Ukrainian President Leonid Kuchma. Mr. Tabachnyk will also visit Brazil, where he will meet will senior government officials.

Ukrainian NATO Membership Advocated

954F2618A Kiev KIYEVSKIYE VEDOMOSTI in Russian 16 Jun 95 p 4

[Interview with Ivan Zayets, deputy chairman of the parliamentary Foreign Affairs and Relations With CIS Countries Commission, by Istvan Gavasi for Socium-VEDOMOSTI, in Budapest; date not given: "Membership of NATO Most Fully Corresponds to Ukraine's Interests"]

[FBIS Translated Text] At the end of May a Ukrainian delegation headed by Ivan Zayets took part in a NATO-North Atlantic Assembly interparliamentary session in Budapest. The problem of NATO's enlargement was a central topic of discussion. A discussion of it, of sorts, is contained in the following dialogue.

[Gavasi] Ivan Aleksandrovich, the planned enlargement of NATO will take place primarily through our neighbors—former Warsaw Pact partners—Hungary, Poland, Slovakia, and the Czech Republic. What do you think, would it not be expedient for Ukraine to adjust its defense doctrine, considering that NATO's borders could in the near future, in 1998-1999, most likely, run along the borders of Ukraine?

[Zayets] It all depends on whether we view NATO as a partner or wish to confront it. The danger is not that NATO will move up to Ukraine's western borders. It lies elsewhere: The danger of becoming a buffer between two blocs—NATO and the Tashkent Treaty—is in store for Ukraine. There are three choices. The first is to become a member of the system of collective security of the CIS, that is, the Tashkent military bloc. The second is to agree to special terms with NATO, remain between the two blocs, and seek our own fortunes here. And the third is to become an equal, full member of NATO. The first path is unrealistic inasmuch as Ukraine has proclaimed its intention to become a non-bloc state and has taken steps in this direction. Accession to the Tashkent Treaty—a purely military bloc structure—would contravene Ukrainian legislation. And now is not the time to revise it. In addition, it should be considered that the Tashkent bloc unites politically and militarily unstable countries. Ukraine's presence in this bloc would not be in its interests and would distance it from Europe and from the Ukrainian people's choice on 1 December 1991. As far as the second path is concerned, it may be considered, but it is untenable. We must be pragmatists, not succumb to emotions, like the fact that my mother in law lives in Ryazan: "we cannot cut to the quick" and build policy on this. Russian politicians declare that Russia personifies a separate Eurasian civilization, distinct from European civilization. It would be difficult for Ukraine to hold its

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ground between the two blocs, it would be hard for us to find at their intersection mechanisms guaranteeing Ukraine's security and the realization of its national interests. The third choice is to become a member of an enlarged, modified NATO: It is membership of NATO that most fully corresponds to the interests of Ukraine. After all, we would in this way be returning home, to Europe. Ukraine would once again become an integral European civilization, which would afford an opportunity for the more harmonious combination of its national and regional interests and the interests of the entire European community. In choosing NATO we would be choosing the European way of life based on democracy and guarantees of human rights and the power of the law. In the East, on the other hand, there are other parameters of life. Renouncing the European choice would mean renouncing the Ukrainian people's choice in 1991.

[Gavasi] But NATO is also a bloc, like the Tashkent Treaty.

[Zayets] A new European security system is taking shape today on the basis of the current structures. And we are talking about Ukraine's participation in the new architecture of a European security system, not in some bloc. We need to see the essential difference between the Tashkent, purely military, bloc, where political functions are not developed, and an enlarged NATO structure which is a military-political organization and an integral part and nucleus of a ramified European security system. Having become a member of NATO or, initially, having made a choice in this direction, Ukraine could live more fully according to the laws of European democracy and participate in the formulation of mechanisms of civilian control of the armed forces.

[Gavasi] Commenting on a speech at the Budapest session, Karsten Voigt, chairman of the North Atlantic Assembly, suggested that the first wave of NATO enlargement would be followed by a second wave, which could include, together with the Baltic and other countries, Ukraine also. But here, in Budapest, we also ascertained another vision and another position in relation to the West. As though defending our country against NATO, members of parliament of Russia believe that Ukraine will not be leaving Russia and that, as in former years, the latter is at one with its interests and military-political aspirations. At the same time, on the other hand, the position of the Supreme Council of Ukraine and the leaders of our country is ambivalent. Parliamentary Chairman O. Moroz is inclined to believe that Ukraine's defense doctrine should be linked with the newly formed system of defense and security of the CIS countries. But President L. Kuchma has no objection to the wishes of Ukraine's neighbors to become members of NATO, thereby demonstrating a desire to continue to observe partner relations both with these countries and with NATO. In addition, our side's active participation in the Partnership for Peace program confirms the aspiration to become a part of the system of European defense and security which is taking shape and in which NATO's role is being defined increasingly distinctly. Does it not seem to you that with this varidirectional orientation of the leaders of the two branches of power and other political forces that the Partnership for Peace affords Ukraine a breathing space, as it were, before embarking on the adoption of more critical decisions?

[Zayets] Ukraine and its leaders should, in my opinion, determine their position more precisely. After all, it is not fortuitous that analytical centers and strategists of European security are not developing models with the participation of our country. The supposition that Ukraine could be in the second wave of NATO enlargement is perfectly realistic. Merely the participation in the Partnership for Peace shows that Ukraine already sees itself as an important European state, and its authorities are beginning to implement foreign policy with regard to national interests and aspiring to stability and the assurance of peaceful conditions for the realization of political and economic reforms. It is confirming its desire to be not the building material but an active creator of a new European structure of security. But we must understand that the former image of NATO as an enemy and foe persists in the minds of the majority of our people. Few know that this is a defensive, peacemaking organization based on democratic principles, and NATO's enlargement signifies an extension of the above-mentioned principles to other countries. It is essential to conduct a dialogue on this subject in the Supreme Council also, where many deputies of a left persuasion are demonstrating their overly ideologized thinking, habit of speaking with another's voice, and incomprehension of the realities of the postconfrontation period. At the same time a big dialogue should be conducted with Russia. We must show Russia that Ukraine's aspiration to NATO is not a threat to its security and that Ukraine is entitled to its own choice.

National Affairs

Deputy Premier To Prevent 'Negative Phenomena'

WS0507113795 Kiev INTELNEWS in English 0104 GMT 5 Jul 95

[Report by Oksana Hasiuk]

[FBIS Transcribed Text] Kiev, 4 Jul — Newly appointed Deputy Prime Minister for National for State Security and Extraordinary Situations Vasyl Durdynets

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said he would do everything within his power to coordinate and unite all the country's executive structures to prevent all negative phenomena and their possible negative aftereffects. Durdynets headed a conciliatory committee for preparation of President Leonid Kuchma's Power Bill and helped push a constitutional agreement through Parliament.

Durdynets said he thought he deserved the appointment and considers his position "one of the key positions" in a new Cabinet. Durdynets said that Ukraine wanted to have its own Ministry on Extraordinary Situations as in Russia.

"It is very important now," he said, "to execute all provisions of the Power Bill to prevent social dissatisfaction, moreover, a social explosion."

Durdynets said that Prime Minister Yevhen Marchuk will submit to Parliament a detailed program outlining the direction of the new government next week. According to Durdynets, the program will be based on the practical plan of the Cabinet's actions to speed up economic reforms.

Many political analysts said they were surprised by the creation of the State Security and Extraordinary Situation's deputy prime minister post as well as Durdynets' appointment to that office.

Durdynets said that the idea to establish an economic state of emergency has been alive in Parliament and also outside of it for a long time. He said that the state power is doing everything within its capacity to prevent implementing an economic state of emergency.

Durdynets was also named to head the president's coordination committee on fighting corruption and organized crime. Durdynets said he would work to strengthen the fight against organized crime.

Parliament Convenes Despite Right-Wing Boycott

LD0507125495 Kiev UNIAN in Ukrainian 0830 GMT 5 Jul 95

[FBIS Translated Text] Kiev — Despite the fact that right-wing factions and groups are blocking the session's work, the Ukrainian Supreme Council on 5 July managed to muster enough deputies to be quorate and begin its session. Two hundred and seventy deputies registered in the chamber.

On 4 July, right-wing factions and groups blocked the session, protesting against the fact that Oleksandr Tkachenko, first deputy chairman of the Supreme Council, was chairing the session.

At its session today, the parliament plans to examine draft laws on the declaration of property and incomes of physical persons; the struggle against corruption (second reading); making amendments to the law on the responsibility of officials; a package of draft laws on making amendments to the criminal, criminal and procedural and civil procedural codes of Ukraine; and the draft law on amnesties in Ukraine.

Crimean Tatar Leader on Speaker Replacement

LD0507192995 Kiev UNIAN in Ukrainian 1530 GMT 5 Jul 95

[FBIS Translated Text] Simferopol — The election of a new Supreme Council of Crimea chairman will not herald any fundamental changes to the autonomous republic's parliamentary policies, Mustafa Dzhemilev, [Crimean Tartar] Majlis chairman, told UNIAN in an interview. He predicted that a newly elected speaker might support Crimea's Prime Minister Anatoliy Franchuk "whose policies are more balanced".

Mustafa Dzhemilev added Crimean parliament leadership elections were likely to take a long time.

Tsekov Resignation Said Not To Affect Situation

LD0507200695 Moscow ITAR-TASS in English 1737 GMT 5 Jul 95

[By Vladimir Suprun]

[FBIS Transcribed Text] MOSCOW, July 5 (ITAR-TASS) — Today's decision by the Crimean local parliament to dismiss Sergey Tsekov from his post of parliament speaker will hardly influence considerably the social, political and economic situation on Ukraine's peninsula, according to Crimean Deputy Prime Minister Andrey Senchenko.

Speaking to journalists in Moscow on Wednesday, Senchenko described Tsekov's resignation as quite an ordinary event. "If a person fails as a politician and is reluctant to step down, others help him to do so", he noted.

One of the most sensitive issues facing the Crimean peninsula is that of privatisation, the deputy prime minister emphasised. He believes this issue "will be finally solved" following the speaker's removal.

Crimean lawmakers on Wednesday voted 54-35 with two abstentions to dismiss the parliament speaker. The issue was put on the agenda at the proposal of the opposition this morning. The vote was by secret ballot.

After the voting results were announced, the parliament's session adjourned for consultations in factions. The consultations will be held to nominate candidates to

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fill the vacancy. According to lawmaker Anatoliy Gritsenko, once a new speaker is elected, the issue of the parliament presidium's resignation will be raised.

The issue of no confidence in the former speaker has been discussed for the second time since parliament was elected a year ago. For the first time, a vote of no confidence in Tsekov was passed last March. But at the time, the speaker managed to retain his post by enlisting support from three parliamentary factions — Russia, Russia-Unity and Republic. In exchange, the factions were promised seats on the parliament presidium.

Tsekov Comments on Dismissal

LD0507201295 Moscow INTERFAX in English 1532 GMT 5 Jul 95

[FBIS Transcribed Text] SIMFEROPOL, July 5 (INTERFAX-UKRAINE) — Sergey Tsekov, dismissed by the Crimean parliament as its chairman today, told INTERFAX-UKRAINE that "relations between Crimea and Ukraine will be somewhat smoothed" after the change of the Crimean parliament's leadership.

"If a man without the burden of decisions and statements which I have admitted comes to power it might be easier for him to enhance relations with Ukraine," Tsekov said.

Tsekov said that he did not consider his dismissal as "a defeat for Crimea on the whole" and that he would be in "constructive opposition" to the parliament.

"I am not going to use the methods which the former opposition has used, such as blocking the parliament's activity and unwillingness to work on the Crimean budget and constitution," said Tsekov.

Crimean Parliament Candidates Fail To Get Required Votes

LD0507195695 Moscow INTERFAX in English 1532 GMT 5 Jul 95

[FBIS Transcribed Text] SIMFEROPOL, July 5 (INTERFAX-UKRAINE) — The secret vote on the candidates to the Crimean parliament's chairman failed to reveal the winner in Simferopol, Crimea.

Neither leader of the Russia faction Yuriy Podkopayev nor member of the Agrarian faction Yevgeniy Suprunyuk managed to get the required number of votes.

Suprunyuk needed just one more vote to be elected. He canvassed 49 votes while in line with the procedural regulations to be elected a candidate must receive a half of the votes of the parliament's members "plus" one vote (which is 50 votes).

Voting will be next held Thursday.

This evening the Crimean parliament's factions will meet. They are likely to propose new candidates to the Crimean parliament's chairman after Sergey Tsekov was dismissed from this post.

In March 1995 the Ukrainian parliament abolished the Crimean Constitution of May 6, 1992, and the Crimean presidency. The Ukrainian president re-subordinated the Crimean cabinet of ministers directly to Kiev with a decree of March 31.

Crimean Assembly Elects Suprunyuk New Speaker

LD0607105995 Moscow ITAR-TASS in English 1017 GMT 6 Jul 95

[By Lev Ryabchikov]

[FBIS Transcribed Text] SIMFEROPOL, July 6 (ITAR-TASS) — The Crimean parliament today elected in a second round of voting its new speaker, Yevheniy Suprunyuk, a former chief of the Crimean republic's firefighting directorate.

On Wednesday, Suprunyuk, 40, was one single vote short of the target, but since the Crimean legislation allows repeat nominations of the same persons, he stood for the elections again, and this time around won the support of 58 out of 90 parliament members who took part in the ballot.

Suprunyuk was far ahead of the other contenders Vasiliy Kiselev and Andrey Stavitskiy.

Suprunyuk told the parliament he would put an end "to the further disintegration and rifts in Crimea." He assured the parliament that he would attract to work "all those who can be really useful to Crimea."

In addition Suprunyuk stressed his firm intention "to have the Constitution of Crimea restored at any cost, otherwise Crimea will lose its statehood."

Suprunyuk spoke in favour of close cooperation with Russia and other Commonwealth countries so as to let Crimea retain its status of a Commonwealth resort.

The new speaker of the Crimean parliament has done much over the 40 years of his life. He graduated from three higher schools — as a police officer, civil engineer and lawyer. He is married and has four sons.

On Wednesday, the Crimean parliament had dismissed Serhey Tsekov as speaker.

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International Nuclear Conference Opens in Kiev

WS0507113895 Kiev INTELNEWS in English 0104 GMT 5 Jul 95

["Special to INTELNEWS" by Volodymr Klyuyko]

[FBIS Transcribed Text] Kiev, 3 Jul — The sixth annual International Cooperation in Nuclear Development scientific and technical conference opened in Kiev on Tuesday [4 July]. The Russian and Ukrainian Nuclear Societies organized the event.

The international forum aims to unite the experience and analysis of problems in development of nuclear science and industry. About 300 nuclear experts and scientists from 20 countries are participating in the conference. Experts of the International Atomic Energy Agency will participate in the conference. Conference participants will discuss problems of safe nuclear technologies, new reactors and nuclear equipment, analyses of international nuclear development and the storage and processing of nuclear wastes. The conference will also discuss the perspective of international cooperation between the CIS countries, Europe, Asia and other countries.

Mykhaylo Umanets, the Ukrainian State Nuclear Committee chairman, said the Ukrainian nuclear industry faces many problems today. "The main thing is the problem with personnel: 8,500 workers resigned from Ukrainian nuclear plants in 1993-94, and half of them were the high-skilled specialists," Umanets said.

"Another problem is that Ukraine does not produce its own nuclear fuel," he added. Currently, all nuclear fuel and its elements are imported from Russia.

The committee chairman said the conference would discuss the issue of radioactive-waste utilization and on increasing the safety of operating nuclear reactors. Umanets said the committee worked out a concept of creating an industry to utilize nuclear wastes. The expenditures for this program will be included in the cost of electricity, he said.

"If we do not take urgent measures to develop our nuclear industry, it will collapse by the year 2020," Umanets said. "First of all, Ukraine has to choose what type of reactor it will use, taking into account economic, ecological and other aspects and technical estimations of the scientists," he added.

Economic Issues

Presidential Privatization Edict, Appendixes

WS0607081395 Kiev URYADOVVY KURYER in Ukrainian 29 Jun 95 pp 10-11

["Text" of Presidential Edict No. 486/95 "On Measures To Ensure Privatization in 1995" signed by President Leonid Kuchma in Kiev on 23 June; including three appendixes signed by Presidential Administration Head D. Tabachnyk; place and date not given; and "commentary" "at the request of the URYADOVYY KURYER editorial staff" by State Property Fund Chairman Yuriy Yekhanurov]

[FBIS Translated Text]

On Measures To Ensure Privatization in 1995

With a view to determining the volume of privatization of state property of enterprises and to ensure the conditions of consistency and continuity of the privatization process, as well as in accordance with Article 25 of Ukraine's Law "On State Power and Local Self-Government in Ukraine" and Article 3 of Ukraine's law "On Privatization of Property of State Enterprises," I RESOLVE:

1. To establish that facilities subject to privatization shall be divided into groups dependent on the initial (balance) value of their fixed capital, which is specified in a balance sheet in the quarter preceding the date of a resolution on privatization adopted by a privatization body, as well as on qualitative features, that is:

Group A — facilities with fixed capital not exceeding 33.6 billion karbovantsi [K] in prices effective on 1 January 1995 (except for enterprises from Group D);

Group B — facilities with fixed capital between K33.6 billion and K2.15 trillion in prices effective on 1 January 1995, if the part of their fixed capital per employee does not exceed the nominal value of the privatization property certificate by more than a factor of 1.5 (except for enterprises from Group D);

Group C — facilities with fixed capital between K33.6 billion and K2.15 trillion in prices effective on 1 January 1995, if the part of their fixed capital per employee exceeds the nominal value of the privatization property certificate by more than 150 percent (except for enterprises from Group D);

Group D — monopolist enterprises declared as such in accordance with established procedure, independently of their value; enterprises of the military-industrial complex, which are subject to conversion in accordance with an appropriate program; enterprises privatized with the participation of foreign investments under Ukraine's international agreements; enterprises with fixed capital exceeding K2.15 trillion;

Group E — mothballed facilities and facilities under uncompleted construction, as well as the property of bankrupt enterprises;

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Group F — state-owned portions (shares, stocks) of property in joint ventures and economic associations.

In the event of implementing the indexation of the balance-sheet value of fixed capital, the indexation shall also be applied to the value of figures, with which privatization facilities are classified into groups, as well as to the nominal value of the privatization property certificates.

The evaluation of privatization facilities shall be carried out according to a procedure approved by the Ukrainian Cabinet of Ministers.

2. To establish that privatization in 1995 shall embrace 22,400 facilities in Group A; 8,000 facilities in Groups B, C, D, and E; and 1,200 facilities in Group F; these figures shall include 3,720 state-owned facilities in Group A and 6,400 state-owned facilities in Groups B, C, D, and E.

3. To establish for the Autonomous Republic of Crimea, oblasts, and the cities of Kiev and Sevastopol the volumes of privatization of state-owned property (Appendix 1) and communal property (Appendix 2).

4. To approve norms of the distribution of revenues from the property privatization (Appendix 3).

5. That the Government of the Autonomous Republic of Crimea and executive committees of local councils shall submit — to the State Property Fund of Ukraine and regional branches of the State Property Fund of Ukraine, as well as to rayon and town representatives of the State Property Fund of Ukraine (henceforth referred to as the state privatization bodies) within one month after the approval of lists of facilities subject to privatization under the Ukrainian Presidential Edict No. 827 of 30 December 1994 "On Measures To Accelerate the Process of Small Privatization in Ukraine" — proposals regarding characteristic features of the further use of appropriate facilities. To oblige the state privatization bodies to take into account these proposals while drafting contracts of sale of these facilities.

To establish that in the event of the lack of applications for privatizing a facility from Group A, an appropriate state privatization body may adopt, within one month after the publication of the list of privatization facilities, a resolution regarding the privatization of this facility through competitive bidding or apply reorganization as a way of preparation for privatizing (partition, the apportionment of individual inventory facilities from integral property complex, transformation with the observance of the antimonopoly legislation), liquidation of the given privatization facility with subsequent privatization of facilities created as the result of reorganization of property of the liquidated facility. The procedure for reorganizing a privatization facility as a way for preparing its privatization, shall be determined by the State Property Fund of Ukraine and the Antimonopoly Committee of Ukraine.

6. To establish that in the event of the lack of applications for privatizing an uncompleted facility, such facilities, except for those privatized under Ukrainian Presidential Edict No. 456 of 14 October 1993 "On Privatization of Uncompleted Facilities," may be transferred to authorized funds of joint ventures or economic associations within one month after the publication of the list of privatization facilities.

7. To establish that the sale of stocks of open joint-stock companies, which are created in the process of privatization and corporatization, shall be effected by way of preferential sale of stocks to employees of enterprises and other individuals according to the legislation in force, as well as by sale of stocks under established procedure at certificate auctions. The blocks of shares left unsold after the completion of preferential sales and sales at certificate auctions, shall be sold on a competitive basis according to a plan for distributing the shares.

The procedure for holding competitive bidding and auctions shall be determined by the Statute for the Use of Resources in Privatizing Property of State Enterprises, approved by the State Property Fund of Ukraine, and the Statute for the Procedure of Receiving Authorization from the Antimonopoly Committee of Ukraine for Absorbing Economic Entities in the Process of Privatization, approved by the Antimonopoly Committee of Ukraine.

8. To establish that the privatization of enterprises being in the situation of monopolists on the regional commodity market, shall be effected under approval from bodies of the Antimonopoly Committee of Ukraine and a body authorized to manage appropriate property.

Lists of enterprises being in the situation of monopolists on the national or regional market shall be determined by the Antimonopoly Committee of Ukraine and its regional branches.

9. Privatization of facilities from Group D shall be effected under approval from the Cabinet of Ministers of Ukraine.

The Cabinet of Ministers of Ukraine may additionally determine lists of facilities, which shall be privatized under conditions approved by the Cabinet of Ministers of Ukraine.

Individual enterprises, under approval from the Cabinet of Ministers of Ukraine, may be privatized according to

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individual business plans by way of selling blocks of shares under the circumstances of investment bidding with the participation of domestic and foreign investors.

10. To introduce in 1995 a national routine regarding the participation of foreign investors in privatization of facilities specified in Article 1 of the present edict.

11. To charge the Fund of State Property of Ukraine with the task of overseeing the execution of this edict.

[Signed] President of Ukraine L. Kuchma

City of Kiev, 23 June 1995
No. 486/95

Appendix No. 1 to the Ukrainian president's edict No. 468/95 of 23 June 1995

Privatization Volumes of State-Owned Property (Number of Facilities)

1. Privatization volumes of facilities in Group A (small privatization)

Autonomous Republic of Crimea — 124

OBLASTS:

Vinnytsya — 130
Volyn — 77
Dnipropetrovsk — 219
Donetsk — 380
Zhytomyr — 95
Transcarpathian — 45
Zoporizhzha — 105
Ivano-Frankivsk — 50
Kiev — 107
Kirovohrad — 263
Luhansk — 154
Lvov — 148
Mykolayiv — 169
Odessa — 169
Poltava — 99
Rivne — 81
Sumy — 87
Ternopil — 70
Kharkov — 252
Kherson — 150
Khmelnytskyy — 83
Cherkasy — 122
Chernivtsi — 81
Chernihiv — 210
City of Kiev — 237
City of Sevastopol — 13
Total — 3,720

2. Privatization Volumes of Facilities in Groups B, C, D, E

Autonomous Republic of Crimea — 274

OBLASTS:

Vinnytsya — 302
Volyn — 77
Dnipropetrovsk — 428
Donetsk — 928
Zhytomyr — 234
Transcarpathian — 101
Zoporizhzha — 207
Ivano-Frankivsk — 140
Kiev — 150
Kirovohrad — 82
Luhansk — 167
Lvov — 231
Mykolayiv — 155
Odessa — 238
Poltava — 196
Rivne — 111
Sumy — 187
Ternopil — 198
Kharkov — 395
Kherson — 192
Khmelnytskyy — 286
Cherkasy — 202
Chernivtsi — 134
Chernihiv — 114
City of Kiev — 646
City of Sevastopol — 25
Total — 6,400
[Signed] The head of the Administration of the Ukrainian President, D. Tabachnyk

Appendix No. 2 to the Ukrainian president's edict No. 468/95 of 23 June 1995

Privatization Volumes of Communal Property (Number of Facilities)

1. Privatization volumes of facilities in Group A (small privatization)

Autonomous Republic of Crimea — 504

OBLASTS:

Vinnytsya — 527
Volyn — 341
Dnipropetrovsk — 1,307
Donetsk — 1,451
Zhytomyr — 433
Transcarpathian — 210

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Zoporizhzha — 566
Ivano-Frankivsk — 648
Kiev — 952
Kirovohrad — 503
Luhansk — 952
Lvov — 1,718
Mykolayiv — 626
Odessa — 761
Poltava — 517
Rivne — 532
Sumy — 686
Ternopil — 441
Kharkov — 1,102
Kherson — 732
Khmelnytskyy — 554
Cherkasy — 476
Chernivtsi — 555
Chernihiv — 520
City of Kiev — 1,010
City of Sevastopol — 105
Total — 18,730

2. Privatization Volumes of Facilities in Groups B, C, D, E

Autonomous Republic of Crimea — 156

OBLASTS:

Vinnytsya — 15
Volyn — 70
Dnipropetrovsk — 89
Donetsk — 140
Zhytomyr — 5
Transcarpathian — 15
Zoporizhzha — 96
Ivano-Frankivsk — 91
Kiev — 25
Kirovohrad — 19
Luhansk — 94
Lvov — 42
Mykolayiv — 73
Odessa — 122
Poltava — 7
Rivne — 12
Sumy — 9
Ternopil — 11
Kharkov — 57
Kherson — 79
Khmelnytskyy — 161
Cherkasy — 27
Chernivtsi — 15
Chernihiv — 94
City of Kiev — 70
City of Sevastopol — 6
Total — 1,600
[Signed] The head of the Administration of the Ukrainian President, D. Tabachnyk

Appendix No. 3 to Ukrainian Presidential Edict No. 468/95 of 23 June 1995

Norms of the Distribution of Revenues From the Property Privatization

The receipts from the privatization of facilities in Groups B, C, D, E, and F, either state-owned or communal, except for uncompleted facilities, specified in Article 25 of Ukraine's law "On Ukraine's State Budget in 1995," shall be used in 1995 for the following purposes (in percentages):

Compensation of costs connected with privatization	22.6
Compensation of costs connected with the settlement of property claims	0.2
Financial provision of the State Program of	10.2
Privatization (according to Part 4 Article 7)	
Creation and functioning of the network of centers for holding voucher auctions	42.6
Maintenance of state property that was not included in the stocks of joint-stock companies and remained on their balance sheets	23.8

The receipts in cash from the privatization of small-privatization facilities, either state-owned or communal, shall be used in 1995 for the following purposes (in percents):

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Compensation of costs connected with privatization	19.4
Compensation of costs connected with the settlement of property claims	0.2
Maintenance of state property that was not included in the stocks of joint-stock companies and remained on their balance sheet	0.4
Local budget revenues	80.0

[Signed] The head of the Administration of the Ukrainian President, D. Tabachnyk

Commentary to the Presidential Edict by State Property Fund Chairman Yuriy Yekhanurov

The edict is conditioned by an extended period of examining and adopting a draft program of state privatization for 1995 by the Ukrainian Supreme Council. In connection with this, some regulations in the process of privatization were not provisioned. Thus, privatization facilities were not divided into groups in connection with the indexation of fixed capital, which could also take into account qualitative features of these facilities. In practice, this led to misunderstandings in the process of assigning specific privatization facilities to their groups.

It was also necessary to determine privatization volumes of property. Without established tasks in the privatization of facilities broken down into groups and regions, privatization bodies would not have any guidelines regarding privatization volumes. Also, no normative act determined norms for the distribution of revenues from property privatization. This provoked a lot of questions on the part of privatization bodies and controversies in the process of withholding revenues to an off-budget privatization fund or local budgets. The resolution of these issues will enable us to ensure the rights of citizens to use of their privatization certificates and speed up the receipt of privatization revenues by local budgets.

One of the reasons for curbing the progress of small privatization is the assertion by local executive power bodies that, following the process of privatization, vitally important enterprises will be retooled. This does not provide any possibility for power bodies to secure the interests of the population of their administrative-territorial units. The edict's provisions eliminate this problem and enable power bodies and privatization bodies to take into account peculiarities of the activity of enterprises and needs of administrative-territorial units.

In addition, the edict expands the possibility on the part of privatization bodies to choose ways of privatization and approaches toward the sale of facilities (including those which are not completed) in the event of the lack of potential purchasers.

It was also necessary to define more exactly the mechanism for selling shares of open joint-stock companies created in the process of privatization and corporatization. It is envisioned in this case that those blocks of shares not sold at preferential sales according to the legislation in force or at open sales for privatization certificates [papery] through certificate auctions, according to the plans of privatization, are subject to sale on a competitive basis.

It must be emphasized that Ukrainian Presidential Edict No. 699 of 26 November 1994 established the procedure for preparing enterprises and the mechanism for selling shares through a network of auction centers, which have already developed their work all over Ukraine.

Through the system of auction centers in 1995, Ukraine's citizens and financial intermediaries were offered the chance to buy shares in over 700 enterprises for privatization property certificates.

To secure the rights of people to invest their property certificates in the future, this very edict sets the task of preparing 8,000 large and medium-sized enterprises in the provinces.

Thus, the issuing of this edict marks the culmination of complex organizational measures to prepare and effect mass, popular privatization in Ukraine.

It would also be expedient to envision the receiving of approval from the Antimonopoly Committee for absorbing enterprises in the process of privatization, as well as to have approval of this body, authorized to manage appropriate property, for privatization of monopolist enterprises.

The privatization of facilities from Group G should be effected in coordination with the Cabinet of Ministers. Individual enterprises from this group are recommended to be privatized under individual business plans by way of sale of blocks of shares on a competitive basis with the participation of domestic and foreign investors.

The issue of participation of foreign investors in the process of privatization had formerly been regulated ineffectively. Therefore, they did virtually not participate in the destatization of Ukraine's property. It is envisioned in the edict that foreign investors may participate

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in the process of privatization on an equal footing with other purchasers. The evaluation of facilities is effected under a procedure for determining the value of privatization facilities, which was approved by the Cabinet of Ministers.

In the event of adopting a resolution by a privatization body on the purchase of a facility by a foreign investor, the evaluation of this facility is effected by experts with the participation of domestic or foreign auditing and consulting firms or investment banks under a procedure established by the State Property Fund of Ukraine. Costs of the above-mentioned services are included in the price of the privatized facility. Foreign investors may purchase state property in the process of privatization while paying its value in national currency.

Vagueness regarding the above-mentioned issues hampered the process of privatization. Privatization bodies were forced to work under the circumstances of an imperfect mechanism of destatization. This was one of the reasons for an inadequate privatization rate in 1995, which did not meet the tasks set by the Ukrainian president. Thus, according to operational data on the first five months of the current year, the privatization embraced 1,575 facilities, including 948 facilities of small privatization.

The privatization of facilities of small privatization is especially lagging behind, though it was scheduled to conclude this year. Over the first five months of the current year, only 14 percent of the planned volume of such facilities were privatized.

The privatization of communal facilities was also carried out unsatisfactorily. The privatization embraced 827 such facilities — the number is practically the same as that of state-owned facilities. However, it must be taken into account that the majority of communal facilities belong to the small privatization group. The term for destatizing such facilities is considerably lower than that of medium-sized and large enterprises, which constitute the overwhelming majority of state-owned facilities.

In this way, the edict does not touch upon the main principles and methodological approaches to the process of privatization. It is oriented toward determining privatization tasks, norms of the distribution of revenues, and defining more precisely some issues regarding the mechanism of privatization. The edict should become a stimulus accelerating privatization in Ukraine in 1995.

Small Privatization in Kiev Obstructed by Local Power

WS0607104195 Kiev KHRESHCHATYK in Ukrainian 30 Jun 95 p 3

[Report by Larysa Datsyuk: "Budget Is Empty. The Process Is Being Carried Out Sluggishly"]

[FBIS Translated Text] The latest briefing by the State Property Fund [FDM] was devoted to the progress of implementing the Ukrainian president's edict "On Measures To Hasten the Process of Small Privatization in Ukraine." FDM Deputy Chairman Oleksandr Bondar made a report based on findings of the commission that was inspecting the law's implementation in four Ukrainian oblasts.

In the opinion of the deputy chairman, the failure of the small privatization can be explained by several objective and subjective reasons.

First was the Supreme Council's belated approval of a list of enterprises that are not subject to privatization, which considerably delayed the signing of agreements on state property sales.

The next, and perhaps the main reason, is the fact that local councils are obstructing the process of confirming privatization of facilities along with their premises and equipment. In addition, local authorities often ignore competitive methods of privatization, such as auctions and commercial biddings. Finally, the local councils drag their feet on the presidential edict "On the Single System of Privatization Bodies in Ukraine," dated 19 February 1994. As a result, the reconstruction of privatization bodies has concurred in time with the acceleration of the privatization process.

Put together, these objective and subjective factors threaten to cripple the approved privatization plans. Evidence collected following the check conducted by the State Property Fund at the initiative of the Cabinet of Ministers corroborates this.

For example, instead of the planned 1,787 facilities confirmed for small privatization in Kiev, the city authorities approved 1,422 with great delay. It should also be noted that the Kiev City Council imposed a ban on privatization of 482 entities, while the district councils added 121 more to the list.

As the check showed, the example of Kiev is the rule rather than the exception. So it is not surprising that the privatization plans are falling in the entire country. Over the past five months, big privatization tasks have been accomplished at a 21.3 percent rate, while small privatization has taken place at only a 12.8 percent rate. As a result, in the first quarter of 1995, a total of 1,250

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facilities were privatized. Of these, 401 represented retail trade outlets, 201 consumer service providers, 312 industrial enterprises, and 74 were construction companies.

The information gathered during the check will be passed to the Cabinet of Ministers so that it can analyze it and take relevant steps. This will help to identify who should be blamed for the failure of the state privatization program.

Oleksandr Bondar hopes that it will not be the State Property Fund. He presented quite serious points to defend his position: As the local power is considered to be the property owner, the Fund and its regional divisions cannot answer for something that is not within their competence. No positive changes should be expected until a division into state and municipal property is carried out. To prove this, the official cited some more specific examples taken from the inquiry into the implementation of the presidential edict.

One of them, for example, is Article 5 of the edict, which allows a new owner to buy out buildings of small privatization facilities that had been privatized before the edict came into force. As of 31 May 1995, 96 requests were filed by new owners to purchase such buildings and 51 applications for a license to rent them. As many as 32 applications have been rejected in connection with the decision by local councils to ban privatization of those buildings.

Cases in which local government bodies refused to permit privatization of the buildings that house privatized facilities are quite frequent. In Kiev alone, the city council imposed a ban on privatization of 944 buildings.

Also violated was Article 7 of the edict providing for selling small privatization facilities on a competitive basis. In Kiev, 269 entities were planned to be privatized that way, including 258 by competitive bidding and 11 at auctions. They are expected to be privatized along with their buildings, and 27 privatization applications regarding those facilities have already been registered. Zaliznychnyy, Leninhradskyy, Starokyyivskyy, and Pecherskyy districts, however, do not take advantage of the competitive bidding.

The stance of local authorities, the FDM deputy chairman emphasized, is surprising because privatization projects would replenish their exhausted budgets. But...

Details of NBU Ban on Hard Currency Viewed

WS0507143895 Kiev HOLOS UKRAYINY in Ukrainian 1 Jul 95 p 3

[Article by Serhiy Lavrenyuk: "Dollar, Go Home"]

[FBIS Translated Text] *Finally, it is about to happen — beginning 1 August, the decision by the Ukrainian National Bank [NBU] to ban the use of foreign currencies in payments will come into force. Moreover, judging by all the signs, this time NBU will not simply call on the dollar to go home, but will insist on the unconditional implementation of this decision. As everybody knows, although it had been planned to make this step as early as 18 February 1995, in connection with "the government's insistent demands" (these words were included in a request sent by the government to NBU), the National Bank had to retreat then. One can currently say, however, that it was actually an attack rather than retreat, since immediately after the decision to ban the use of hard currency had been postponed, NBU conducted a number of local operations aimed at forcing foreign currency out of circulation.*

First, the National Bank passed a resolution on reregistration of all licenses to trade and provide services using foreign currencies. Moreover, it was expected that new licenses would be issued only to firms whose average monthly operations amounted to at least $70,000 in 1994. NBU Chairman Viktor Yushchenko expected that such licenses would be renewed for no more than 500 out of the 1,900 firms which had had the right to trade using hard currency. In fact, this number proved to be twice as low — licenses were renewed for as few as 250 firms, and 1,650 firms (despite the government's insistent requests) were offered to switch to payments in national currency. Additionally, amendments to the Edict "On the System of Hard Currently Regulations and Controls" were introduced this April, according to which all organizations were prohibited from paying wages to Ukrainian citizens in foreign currency.

This tune will not, however, play long for firms which received new licenses — the National Bank has decided to completely ban payments in foreign currencies in Ukraine beginning 1 August. Let me note that this does not refer to everybody's right to buy or sell hard currency, or use it as a "family bank" to protect their savings. To buy something, however, people will have to exchange it for the national currency. Let me note that, as of the beginning of 1995, the share of firms with the right to trade using hard currency had amounted to 9 percent of the total volume of trade in our country. Because of this, certain economists are concerned that Ukraine will not have enough karbovantsi in circulation after 1 August.

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What are the consequences of the NBU decision? Beginning 1 August 1995, companies having hard currency licenses will lose the right to receive hard currency in cash, and hard currency they already have will be deposited in authorized banks no later than 31 July. It is prohibited to include cash hard currency in companies' initial stocks, or to charge a commission for brokerage in hard currency. Additionally, authorized banks are obliged to deposit cash hard currency from companies violating the ban on blocked accounts without the right to deposit it in current hard currency accounts. Moreover, an authorized bank will sell this hard currency at the Interbank Hard Currency Exchange, and will deposit an equivalent in karbovantsi in these companies' accounts. It is envisioned that companies violating the ban will be fined.

At the same time, it should be noted that the ban will not apply to certain companies even after 1 August. In particular, this refers to so-called duty-free warehouses (located at international ports or airports and other places designated by customs services); hotels servicing foreign tourists (provided they install cash machines and conduct separate bookkeeping for hard currency revenues); sale of tickets at international ports, airports, and stations; customs duties paid by natural persons; as well as payments for services provided for nonresidents and visa services. Additionally, the ban does not apply to hard currency received in cash by passenger motor transport companies operating in zones bordering Ukraine, as well as to an unused surplus of hard currency which a company or organization received to cover expenses connected with business trips, or other expenses permitted by NBU. So, the door, which the National Bank is showing the dollar, is opening wider and wider.

Scientists Urge Energy-Saving Program

WS0607091595 Kiev KHRESHCHATYK in Ukrainian 30 Jun 95 p 2

[Report by Volodymyr Tonkal, corresponding member of the Ukrainian Academy of Sciences, Candidate of Technical Sciences Serhiy Denysyuk, and Candidate of Economic Sciences Yevhen Hahurin: "We Can Resolve the Energy Crisis"]

[FBIS Translated Text] Building Ukraine's statehood and its becoming a full member of the international community requires an urgent resolution of the country's energy problem. This includes first of all the organization of steady and reliable procedures to ensure fuel and energy resources, as well as their efficient use.

It is no secret that more than 50 percent of our oil and gas supplies come from imports. A critical analysis of energy supply and consumption practices shows that not only do we depend on fuel and energy imports and have an inefficient system for those imports, but we also wastefully use electricity, thermal energy, natural gas, black oil, and other valuable resources — primarily water. At present, Ukrainian industry consumes twice or three times as much energy as developed countries. Most of the power engineering equipment is energy inefficient and most technologies obsolete. Fuel and energy resources are not accounted for or controlled properly, while metrological [metrolohichne] support is far from efficient. In addition, neither energy provider organizations, nor consumers are interested in saving and thriftily using energy sources despite the steep increases of their price. There are practically no mechanisms for rewarding frugal energy consumers.

Whatever our prospects for mining, extracting, and importing coal, oil, or natural gas may be, a large-scale resolution of the energy crisis by introducing energy-saving methods will always be a key precondition for our development. This goal can only be reached after implementing a set of technical, organizational, and economic measures aimed at technological reconstruction of the Ukrainian economy, while taking environmental aspects into consideration.

The Ukrainian Law "On Energy Saving" adopted by the Supreme Council in the summer of 1994 is a legal foundation for a concerted implementation of those measures.

On the other hand, no matter what good laws and edicts the president, parliament, or Cabinet of Ministers may approve, their execution will depend on the understanding of the problem, as well as on the desire and possibilities of specific people to do that. Apart from the absence in industry and the nonproduction sector of energy efficient equipment and technologies, as well as scientifically grounded norms for energy use, another thing that should be considered is the human factor — weak awareness of the need to save electricity, heat, gas, water, etc.

The energy crisis can only be overcome, energy-saving measures implemented, and reform policies conducted if the center coordinates its actions with the regions. One such method includes implementation of relevant scientific and technical programs for Ukrainian cities and industrial regions. It stands to reason that Kiev, the capital of Ukraine, should be a leader in this process.

As a result of understanding the significance of this problem for the city, the Ukrainian president's representative issued on 5 May 1994 directive No. 360 "On Measures Directed at Resolving the Problem of Energy Saving and Supply in the City of Kiev." Work on the

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relevant program is now being conducted on the basis of this directive.

The program's purpose is to considerable increase the efficiency of energy use in Kiev by applying a set of organizational, educational, technical, economic, and legal measures. It is designed to promote an active energy-saving policy which is not viewed as the one restraining the use of energy sources by economic instruments. The prime goal of this program is to help the city smoothly transfer to market economic relations given the current lack of energy supplies. It is aimed at uniting efforts of the city's organizations and enterprises to effic ently resolve energy supply issues at a minimal cost.

The recently conducted scientific analysis has shown that a comprehensive and successful resolution of those tasks, accompanied by a considerable decrease in material and human resources, is only possible if simultaneous, sweeping, and purposeful actions are made while taking into consideration the interests of consumers and energy providers alike. It should be noted that in many enterprises, it is often makes more sense to introduce uniform equipment on a centralized basis. This would certainly result in the substantial cost efficiency and have a much better effect than if each enterprise attempted to handle this issue on its own.

As part of this program, a whole range of organizational, educational, technical, and economic measures are being devised to cut back on the use of electricity, thermal energy, and fuel in Kiev. Informational support is being provided for energy-saving programs conducted at the city's enterprises and municipal organizations. Methods and measures to reduce consumption have already been determined, relevant equipment identified, and possibilities for further introducing technologies and equipment examined.

This, however, is not enough. To radically change the situation, we should concentrate on creating a general mechanism to encourage the frugal use of energy rather than fulfill local, even if important, tasks, as well as on launching financial and economic levers instead of devising and carrying out separate measures. This mechanism should include financial tools. Thanks to the introduction of an energy tax, payments for the actual consumption of energy sources, and penalties for its squandering, substantial funds, which could be invested in energy-saving projects, could be redistributed and amassed. Toward this goal, we need to create a local nonbudget energy-saving fund that would stimulate a sluggish investment process. As a result, the city's production potential will be extensively reinvigorated based on modern energy efficient equipment.

The financial advantage of using such funds is that they will be provided on a preferential basis — at lower interest rates or subsidies. Everything will depend on the energy efficiency of projects or measures. It should be emphasized that the city has immense energy-saving potential, but the fund alone will not be enough to utilize this potential — particularly since the net payments to such a fund would not exceed 3-5 percent of fuel and energy prices. The art of managing the fund's money is to make every karbovanets generate four to five karbovantsi from commercial banks' own funds or loans. Only after that will the process gain momentum.

Of course, fuel and energy prices will continue to grow until they reach world levels, which are not stable themselves. Most of the developed European countries have already introduced energy taxation or are going to do so in the immediate future, causing prices to grow even further. One should remember that despite fluctuations, energy prices throughout the world have a tendency to increase — a fact that cannot be neglected. This is why it would be stupid to view the growth of prices in good-or-bad terms.

It should be noted that the steep jumps in fuel and energy prices have prompted all countries with a market economy to embark on the transformation toward energy-efficient development. Therefore, we should realize an artificial restraining of those prices will only perpetuate our numerous problems.

Another, human, factor is connected with the thrifty use of energy. We should cultivate the culture or philosophy of frugality, because natural gas, oil, and coal are irreparable resources which we are taking from future generations with impunity.

Another equally important factor that should ensure the program's successful implementation is the success of economic reforms and the creation of favorable economic conditions — privatization and competition among manufacturers, in particular.

Let us hope that many Ukrainian enterprises will soon receive new owners interested in introducing energy-saving measures as soon as possible.

Hopefully, with the process of privatization and transition to market economy, the number of Ukrainian cities and regions willing to embrace energy-saving measures

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will grow. This is why coordination of such policies in Ukrainian cities, industrial centers, and regions will become a priority issue. The creation of a database with information on the equipment and technologies, listings of relevant enterprises, as well as the exchange of this information will gain particular significance.

The experience that has been gained so far and the first results achieved in Kiev show that by devising and carrying out energy- saving programs, we could substantially ease the energy crisis in our state.

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Belarus

Belarus Block Pullout of Nuclear Missiles

MM0507201895 Moscow IZVESTIYA in Russian 6 Jul 95 pp 1-2

[Report by Viktor Litovkin: "President Lukashenka Has Suspended the Withdrawal of the Russian Strategic Forces from Belarus"]

[FBIS Translated Text] Relations between the Ministry of Defense of the Republic of Belarus and the Russian Strategic Missile Forces have become exacerbated. The Belarusian military has unilaterally stopped issuing passes for the removal of missile armament and combat hardware from the republic's territory and is not letting into the country the Russian trains which are to take away the last launchers of the Strategic Missile Forces' RS-12M Topol mobile system, or the SS-25, as they are called in the West.

As is known, there were nine regiments of the Strategic Missile Forces armed with Topol surface mobile systems (81 launchers) in Belarus, in the region of the cities of Lida, Mozyr, and Postavy. Seven regiments (63 launchers) have already been withdrawn to Russia. The remaining two (18 launchers) were to have started moving to a new stationing region this July, and by the end of 1995, according to the schedule approved by both sides, Belarusian soil would have become a totally nuclear-free zone. Those deadlines are now in jeopardy.

The editorial office has learned that trains carrying missile hardware have been stopped on the orders of the Belarusian president. Eyewitnesses maintain that during a visit to a Russian Strategic Missile Force division in Lida, Aleksandr Lukashenka declared that the decision made by the previous leadership on the withdrawal of the Russian strategic forces from the republic's territory had been a big political mistake. The two countries are drawing closer on all fronts, their full unification is not far off, and the Russian missiles must be left where they are now. The Belarusian Ministry of Defense started carrying out its president's orders.

The sudden decision has driven the Russian missilemen into an impasse. For many reasons. First, because the regiments of Topols cannot exist by themselves. They need general management, and this is provided by the staff of a division, albeit a drastically reduced one. They need a nuclear-technical base — someone has to carry out the regulation servicing of warheads and be accountable for their technically impeccable condition. For servicing of the missiles themselves, specialists of the technical missile base are needed, while to maintain in perfect condition the position areas and the routes for moving missile systems up to thjeir positions a separate combat engineer battalion is needed. Also the guarding of these territories, their electricity and heat supply....

Just in order for these units to remain for one more winter in Belarus, it will be necessary to bring in hundreds of tonnes of fuels and lubricants, including 30,000 tonnes of fuel oil, approximately 300,000 tonnes of motor gasoline, and approximately 600,000 tonnes of diesel fuel. To spend over 100 billion rubles [R]. Nobody planned for such assets and expenditure. They do not physically exist either in the budget or in the state reserves, and it is not known where Russia is to find them. Particularly as even the planned provision of everything the missilemen need, including the servicemen's pay, as enshrined in the Law on the State Budget, is today barely being implemented by 50 percent.

Second, it is not clear who will guard the Strategic Missile Force units on Belarusian territory. Under Russian legislation enlisted soldiers and sergeants can be sent abroad only with their written consent. Today there are few enough people who wish to serve in the Army, still less in the near abroad. We also should not gamble on officers and ensigns. It is not part of their official duties to mount guard every other day, and this can result in breach of contract. Today the Strategic Missile Forces are 4,891 officers short. Not even this year's military school graduates have resolved the problem. Precisely 1,218 lieutenants do not close up the cadre breach.

Third, and finally, according to international accords, which Russia has also signed, all the nuclear weapons which it possesses must be within its borders and nowhere else. Incidentally, no other nuclear state has similar weapons on foreign territories today. No one will allow us to violate such a principle either.

But the Belarusian side does not accept these arguments. Some experts believe that it is not a matter here of the populist idea of the two countries' future unification or merger or of Minsk's ardent desire to have strategic missile forces, albeit foreign ones, on its territory, but of the very natural desire to shift its own economic cares onto someone else's shoulders — in this case Russia's.

Russia's Strategic Missile Forces have already handed over to Belarus free of charge 126 barracks (122 are left), 58 classroom buildings (37 are left), 42 dining rooms for soldiers and officers (30), 36 staffs (29), 32 medical establishments, 189 apartment blocks with 5,890 apartments (80 and 3,936 are left respectively).... At 1991 prices, this whole lot is worth R219.025 million — now it is worth 2,000 times more. Over the past six months the missilemen spent R9.125 billion just on maintaining what is left. A further R7.2 billion will be required for next winter if they have to stay. The

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missilemen do not have it. Nor does the Belarusian military.

What is more, nobody in Minsk knows to which organization or to which people to hand over the housing and barrack stock which has been released, not to mention the combat vehicle pools and the production and repair workshops, or how to find jobs for the workers and employees left without work and the means to exist following the Russian Army's departure, who worked for it previously. Today you have to spend approximately $10,000 to create just one job. Where are these dollars to be found?

A formal excuse has now been found — "a political mistake by the republic's former leadership."

I asked Colonel General Igor Sergeyev, commander in chief of the Strategic Missile Forces, to comment on the present situation. "I would not like to emphasize this problem," the general told me. "It exists. We are endeavoring to resolve it calmly, from positions of common sense and the good relations which we have developed with the Belarusian leadership. I hope that we will, nonetheless, definitely withdraw the combat systems by the end of this year. We will endeavor to find a compromise on all other questions."

But for the time being the trains carrying Russian combat hardware are standing in sidings at Lida Station in Belarus.

Lukashenka: 'Little' Improvement in Living Standards

LD0507192495 Moscow INTERFAX in English 1532 GMT 5 Jul 95

[FBIS Transcribed Text] MINSK, July 5 (INTERFAX-WEST) — Belarus President Alyaksandr Lukashenka admits to little signs of improvement in living standards.

However, in an interview with INTERFAX Wednesday [5 July] to mark one year of his presidency, Lukashenka said none of the other presidential candidates could have done more for the country than he.

The president described the past year as being very hard on him, saying his sole concern was not to disappoint those who elected him as head of state.

Lukashenka pledged to do his utmost to help the integration of the former Soviet republics. He is skeptical about the chances of the CIS being transformed into a more rigid structure run by supranational bodies. As an example, he pointed to the last CIS summit in Minsk where CIS heads of state either refused to sign agreements offered or did so with conditions.

Lukashenka named Russia, Belarus, Uzbekistan and partly Kazakhstan among CIS states which signed and complied with CIS agreements as they were. But others failed to do so because of the diversity of CIS legislation or political goals pursued by their leaders.

Commission Holds Most Local Elections Valid

WS0607110395 Minsk Radio Minsk Network in Belarusian 1000 GMT 6 Jul 95

[FBIS Translated Text] The Central Commission of the Republic of Belarus for Holding Elections and Nationwide Referendums has reported that the elections of deputies to local soviets of people's deputies of the Republic of Belarus of the 22nd convocation, which took place on 11 and 25 June 1995, were held in 28,244 constituencies. The elections proved valid in 24,330 constituencies, which constitutes 86.1 percent of the total number of constituencies.

Moldova

Snegur, Smirnov Fail To Agree on Dniester

LD0507134795 Moscow INTERFAX in English 1231 GMT 5 Jul 95

[FBIS Transcribed Text] TIRASPOL, July 5 (INTERFAX) — Moldovan President Mircea Snegur and his Dniester counterpart, Igor Smirnov, failed to bring their positions any closer on the issue of Dniester's special status at their meeting in Tiraspol Wednesday [5 July]. An INTERFAX correspondent reported that Dniester insisted on its recognition as a state within Moldova, while Moldova believes this runs counter to its Constitution and international practice.

Nevertheless, the meeting produced a bilateral agreement on maintaining peace and security guarantees. The two sides sent a letter to Ukrainian President Leonid Kuchma asking him to participate in the peacekeeping process in the region in any form he finds suitable.

The meeting agreed on the first stage of merging the two entities' monetary systems on the basis of the Moldovan leu.

Snegur: Both Sides Want Speedy Decision

LD0507222895 Moscow INTERFAX in English 1837 GMT 5 Jul 95

[FBIS Transcribed Text] CHISINAU, July 5 (INTERFAX) — Moldovan President Mircea Snegur said that such a level has been reached in the dialog between Moldova and the Dniester region that "both parties are willing to resolve the key political problem on giving the Dniester region a special legal status as soon as possible."

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"At our last meeting the tension and irreconcilability which have been present for the last three years after the armed conflict had gone," Snegur told INTERFAX in an interview today after completing another round of talks with Dniester leader Igor Smirnov.

Chisinau and Tiraspol signed an agreement on maintaining peace and guaranteeing stability and a document containing proposals on relationship between the Moldovan and Dniester monetary-credit systems.

In line with the agreement Moldova and the Dniester region assumed "not to use military forces in their relations and not exercise political, economic or other pressure on each other" as well as to "refrain from participating in unions, blocs and other organizations aimed against one of the parties."

The second document provides for taking a number of measures in order to introduce the Moldovan lei in the Dniester region, which will at the first stage circulate along with the Dniester coupon.

Furthermore, Snegur, Smirnov, the head of the OSCE mission to Moldova and the Russian president's envoy have signed a letter to Ukrainian President Leonid Kuchma inviting him to take part "in any acceptable form" in the peace process in the Dniester region.

Snegur told INTERFAX that Moldova and the Dniester region had long ago begun discussing the necessity for Ukraine's participation in the peace process in the Dniester region "because Ukraine is our closest neighbor."

Snegur and Smirnov will next meet on September 13. During the time left till their next planned meeting experts will try to bring the positions of the parties closer to each other. The talks have snagged on Dniester's statehood. Tiraspol insists on recognizing the Dniester Moldovan Republic as a state within the composition of Moldova. Chisinau is in favor of giving the region the status of an autonomy.

Moldova, Dniester Agree on Economic Cooperation

LD0507214595 Moscow ITAR-TASS in English 1637 GMT 5 Jul 95

[By Valeriy Demidetskiy]

[FBIS Transcribed Text] TIRASPOL, July 5 (ITAR-TASS) — Moldova and the self-proclaimed Dniester republic on Wednesday [5 July] failed to come to agreement on granting the Dniester region a special status.

However, the delegations agreed on a variety of economic issues, including the parallel use of the Moldovan leu and the local coupon, customs cooperation and repayment of mutual debts.

Although the talks were held behind closed doors, an informed source told Tass that the Moldovan negotiators proposed to the Dniester party a draft of a special status which almost means the creation of an autonomous republic with a legislative assembly, but as an integral part of Moldavia and within the framework of the Moldovan Constitution.

According to Kishinev, this variant won approval in Russia, which, together with the Organisation for Security and Cooperation in Europe, is mediating between Moldova and the Dniester region.

On the other side, the Dniester delegation put forth a project of its own, which sees the region as "a state within a state". It also implies concluding bilateral treaties and power sharing.

Moldovan President Mircea Snegur rejected the abovementioned saying on Tuesday "the results of this meeting will show how much the Dniester authorities are sensitive to Russian proposals which are conveyed through Ambassador Vladlen Vasev, Russia's special representative."

Judging by what can be seen, special expert groups from Moldova and the Dniester region, which have resumed work on defining the Dniester region's special status with the help of Russia and OSCE, will try to smooth out the differences.

In another development, Snegur and Dniester president Igor Smirnov on Wednesday appealed to Ukrainian President Leonid Kuchma to take part in the peace talks.

The negotiating process is going on through the mediation of Russia and the OSCE, and has produced positive results, the appeal says.

Taking into consideration the fact that Ukraine has a border with the Dniester region, Snegur and Smirnov believe it possible and expedient that Ukraine participates in the negotiating process.

Snegur and Smirnov on Wednesday signed an agreement on maintaining peace and providing security guarantees between Moldavia and the Dniester region.

The agreement binds the two sides not to use military force against each other and not to resort to economic and other forms of pressure.

Besides, Moldova and the Dniester region agreed refrain from taking part on a bilateral or multilateral basis in blocs, unions and/or other organisations aimed against one of the sides.

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Moldova and the Dniester region appealed to Russia, Ukraine and the OSCE to be guarantors of the implementation of the agreement.

Snegur Explains Withdrawal From Ruling Party

LD0507165595 Moscow ITAR-TASS in English 1426 GMT 5 Jul 95

[By Valeriy Demidetskiy]

[FBIS Transcribed Text] KISHINEV, July 5 (ITAR-TASS) — Moldovan President Mircea Snegur said here today that his withdrawal from the ruling Agrarian-Democratic Party "is not an attempt to provoke tension and trigger a struggle for power", as claimed by several Moldovan publications. "The time has not arrived yet for such a struggle, because there are still one and a half years left before the presidential elections," Snegur stated. "My withdrawal from the Agrarian Party is explained by the fact that some of its leaders are trying to torpedo the policy of reforms and are nostalgic about the past."

As earlier reported, the local press has assessed Snegur's withdrawal from the ruling party as "the beginning of the presidential election race". Local analysts believe that three leaders will contest the elections: the present Head of State Mircea Snegur, Parliament Speaker Petr Lucinschi, and Prime Minister Andrei Sangheli. They will rely on the backing of their own parties. Luchinsky will fill the vacant post of leader of the Social Progress Party, which was recently set up in the republic. Mircea Snegur is busy setting up his Party of National Revival on the remnants of the Agrarian-Democratic Party, which is falling apart. Prime Minister Andrei Sangheli will most likely head the remaining part of the Agrarian-Democratic Party.

Analysts believe that the Moldovan communists will nominate their own candidate. It is worth noting that they had scored a notable success during the local elections. Most likely their candidate will be ex-Minister for the Interior Vladimir Voronin, who was deposed by the People's Front in 1990.

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Kazakhstan

National Bank Head: Financial Situation 'Stable'

LD0507223295 Almaty Kazakhstan Television First Program Network in Russian 1400 GMT 5 Jul 95

[FBIS Translated Text] The National Bank of the Republic of Kazakhstan today held the traditional meeting between its chairman, Daulet Sembayev, and reporters.

[Unidentified correspondent] The main indicators for the financial situation in the republic were presented. The rate of inflation fell in June to reach a level of 2.3 percent, compared with 8.9 percent in January. Revenues to the budget rose noticeably to 1,718 million tenge. In the first six months of this year the secondary banks received 7.4 billion tenge via auctions of credits, with a high level of credit repayment.

[Begin Sembayev recording] There has been a clear turning point. We think that the situation is fairly stable and the National Bank is now in control of the situation. [end recording]

[Correspondent] But at the same time reporters were interested not only in the bare figures but also in the usual questions such as why people who work for organizations funded out of the state budget are not paid on time; why the prices of goods and products as well as the charges for various services are still going up despite the stabilization; why the National Bank plans to replace three, six, and up to 20 tenge banknotes with coins; and why has the emission of money reached such the high level of 4.5 billion tenge. As ever the answers to these questions were exhaustive and clear for the financiers, but not really so clear for the reporters, and especially the public.

However, all the indicators showed that the situation in the republic's financial market is stable. Moreover, the exchange rate of the tenge is not being artificially supported at all now; that is to say there has been no intervention by the National Bank. An increase in the gold and foreign currency reserves of the republic is the evidence of this. And the main news is that for the first time the National Bank did not sell any foreign currency last month, but bought it instead.

The reason why Daulet Sembayev's department has achieved success is that — as was stated at the press conference — the national currency has won the trust of the population of Kazakhstan, that the volume of exports exceeds that of imports, and that the economy has begun receiving direct investments from foreign companies which are now running certain Kazakh enterprises.

Commentary on Cossack Threat to Country

LD0307201095 Almaty GORIZONT in Russian 30 Jun 95 p 5

[Unattributed report: "Cossacks are Not Alone in Their Destructive Fight"]

[FBIS Translated Text] "Some menacing calamity will come to Kazakhstan in the near future," Zeinekul Sharipova, an Almaty soothsayer, warned me this winter. GORIZONT published an article about this amazing woman at the start of the year. I do not want to make any secret of the fact that I have always been skeptical about soothsaying, foretelling the future, and other forms of witchcraft. However, currently, after the lapse of several months, I see that many of Zeinekul-opa's predictions have come true. The referendum has taken place, and the inflation rate has slowed down, although a pre-strike situation remains in a number of regions of the republic.

I remember a long conversation with Zeinekul Sharipova, and an agonizing thought will not leave my head, while doubts gnaw at me: What kind of frightful menacing calamity was she talking about? Why did she mention the northeast in particular?

If we look at the map of Kazakhstan, it is not difficult to see that the hearts of the republic's northeastern regions are the regional centers of Akmola and Pavlodar. Grave passions concerning, mainly, such delicate themes as the Cossacks have arisen recently in these cities. It is one of life's ironies that V. Mikhaylov, who is already fairly famous in the CIS, lives in Akmola, and the no less famous V. Galenko lives in Pavlodar. Both of them, former deputies of the Supreme Council of the republic, are currently conducting a serious campaign in defense of the rights of the Russian-speaking population.

It is merely a campaign, because the ex-parliamentarians' efforts are bringing about nothing constructive. It has already been said, and said before a very long time ago that there are currently no limits on the rights of the Russian-speaking people of Kazakhstan. However, nobody disputes the fact that there have been problems in such a complex sphere as interethnic relations. Unconcealed attempts by both national radicals and imaginary defenders of the Slavs to provoke conflicts among the peoples so that they can fish in troubled waters have been observed and are being observed. Fortunately, everything turned out alright, and the people did not follow the extremists, although nobody can say what will happen tomorrow.

An acute aggravation of separatist moods among a part of the Russian-speaking population began in 1993, and

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the leaders of this are currently gaining advantage by using demagogic methods.

If Kazakh national radicals played on such concepts as statehood and language, then their Russian-speaking colleagues have taken other factors as weapons. They are trying to thrust a thesis about breaches of their rights on the Russian-speaking population, falsifying history by trying to insist that a number of Kazakhstan's regions actually belong to Russia, and must be handed over to it.

It is bad that the growth in Slavic separatism is provoking a growth of Kazakh nationalism in response. Hostages on both sides in terms of supporters are the less educated and prosperous strata of the population: young and emotionally unstable people. The whole of society, which these individuals are making titanic efforts to break up along ethnic lines, is suffering as a result.

Undoubtedly, the Cossacks are the most dangerous separatists force. Having been registered at the justice departments as sociocultural associations, the Cossacks are nevertheless, meddling in politics even more scandalously. Moreover, the Cossacks have already tried to show themselves as a militarized structure, ready to help should there be any restrictions placed on the Russian-speaking population's rights.

Moreover, these attempts to form a militarized structure are becoming ever more noticeable. The first revival of the Cossacks started in the post-perestroyka years, when grandfather's full-dress uniforms and jodhpurs were dragged out of old trunks, and strapping young mustachioed men wearing unusual uniforms began to walk the streets of a number of cities. At first, the population looked on Cossack marches and christenings with surprise and curiosity: let the lads have their fun, they said.

However, the "lads" soon bared their teeth. I remind you that the Cossacks, as an estate, have always been considered a bulwark of autocracy that does not reckon with the views of so-called little peoples. Due to their upbringing and life on the margins, Cossacks were bearers of the tsar's policy through the centuries. Everything has happened in relations between Russia and the present CIS countries over the centuries, but it is impossible to reject the facts of the history: the descendants of those, who were oppressed and humiliated by them, have bad memories of Cossacks today.

Instead of trying not to add fuel to the fire, many Cossack "authorities" are doing the opposite today. Naturally, there is nothing criminal in the fact that Cossacks are standing up for the revival of Russia. But, ways of achieving this revival are seen by many Cossacks in a very original manner, which is humiliating for society.

Saber-rattling has given place to political slogans and the most flagrant breaches of the requirements of the law, and the integrity of the young state of Kazakhstan itself has been put under threat. The demands of the Cossack leaders are obviously illegal: to change the basic articles of the Constitution, to reconsider the frontiers in favor of Russia, and to give autonomy to Cossacks, and so on. Is it necessary to prove that all these demands are humiliating the rights of the rest of the citizens and provoking interethnic conflicts?

The first urgent alarm was "sounded" in Uralsk in the autumn of 1991, when a group of local Cossacks arranged mass processions in the city, with slogans insulting to the national feelings of the population. No one knows what end all these would have had if the local authorities had not taken vigorous efforts to localize the situation.

Cossacks began to cause special tension in the republic's sociopolitical life in 1993. Inspired by an insufficiently rigid stance by the authorities, Cossacks almost openly demonstrated their own views. They keep doing that today as well, which is inevitably leading to confrontations with the local inhabitants.

One cannot hide from the fact that the idea is gaining strength among the Kazakhstan Cossacks that it is necessary to solve their problems by means of force. There are facts that back this up. At present in Lad [the Russian-speakers' public movement], the leaders of this movement, V. Mikhaylov and V. Galenko, are currently demanding the resignation of chairman A. Dokuchayeva due to her "soft attitude to the executive structures." The same situation has emerged in the Society for the Assistance to the Semirechiye Cossacks, where a certain A. Kletskov, having accused Ataman B. Ovsyannikov of spinelessness, is demanding Ovsyannikov's dismissal. Cossacks led by A. Dmitryuk are behaving in an extremely warlike manner in the Makin district of Akmola Region. Hostile relations have developed with the Vaynakh [Chechen] and Til Zhane Madeniyet [Kazakh] movements. A group of Cossacks from the Uralsk City Cossack Historical and Cultural Society is calling for force to be used to protect the "rights of Russians."

Only recently, the administrative structures of the republic have been forced to take punitive measures over the most impudent Cossacks, whose activities have already exceeded the bounds of legislation and decency. Not long ago, Ataman Boris Suprunyuk was sentenced to two years in prison for insulting the Petropavlovsk

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prosecutor. Before him, Pavlodar inhabitant V. Sashin left for a similar place.

This person organized torchlight processions and set fire to the museum-house of Bukhar-Zhyrau twice. In June 1994, the Pavlodar Industrialnyy District People's Court sentenced Sashin to three years in prison.

A sad trend is that Cossacks are not alone in their destructive fight, they are receiving help from outside the republic; true, it is only moral for the present. In response to the detention of Ataman N. Shibanov in Pavlodar, G. Krutov, a deputy of the "Union of Cossack Troops of Russia and Abroad," promised to use a Russian military subunit to set him free. Is this a one-off? No, it is not. Certain Russian official structures often appear to support Cossacks, which cannot be seen as anything other than interference in the domestic affairs of our state. During a demonstration by a group of Cossacks in Petropavlovsk last year, who were demanding the separation of the given region from Kazakhstan, "Vesti" presented these illegal demands as the wish of the whole Russian-speaking population of Northern Kazakhstan.

A. Dolgopolov, a deputy of the State Duma, who called — no more, no less — for the restoration of the 1917 frontiers of Russia during his recent visit to Kazakhstan, promised to afford the utmost help to the Cossacks in our republic. Nikolay Yegorov, the deputy prime minister of the Russian Federation Government, the ex-head of the Kuban [traditional Cossack land in southern Russia], has received our Cossacks with open arms more than once. These are not only single cases of Cossacks from Kazakhstan, who have been called up for military service, serving in Russia.

The escalation of tensions around the notorious "Cossack question" is being exploited by certain circles. It can only end in tears. It is high time, in my opinion, to reject the current vicious practice of taking half-measures with respect to the Cossacks, and to punish them with the full severity of the law. Otherwise there will be trouble.

Growing Problems in Coal Industry Examined

954F2680A Almaty VESTI KAZAKHSTANA in Russian 29 Jun 95 p 2

[Article by VESTI KAZAKHSTANA correspondent Viktor Minin: "Disease Progressing in the Coal Industry"]

[FBIS Translated Text] Karaganda—Over the first four months of this year, enterprises of the state holding company Karagandaugol extracted about 7.5 million tonnes of fuel. The debt amount was on the order of 2.5 million tonnes. Labor productivity has also dropped. Only three mines in the basin—Mine imeni Kalinin, Mine imeni Kuzembayev, and Mine imeni Lenin—successfully met target quotas. The remaining 18 mines and strip pits are not yet managing to cope....

This past month of May will be remembered not only for its holidays. Following the January-February strike and brief lull at mines of the basin, an alarming situation has once again taken shape. We see more frequent instances of refusal to proceed down to the mine face, or the reverse—refusal to come to the surface. Some miners have even ventured to go on hunger strike. Supported by their families and representatives of other enterprises, workers of the Mine imeni Kalinin held a large demonstration in front of the Abay city administration building.

The reason behind this new agitation on the part of miners remains the same—failure to pay several months wages. But really—where is such wage money to be found in view of the present insolvency of the majority of consumers?

Effective 1 March of this year, Karagandaugol enterprises obtained full economic independence and the opening of their own current accounts. No economic miracle has yet taken place, however, although some decent operating time and certain positive developments have been seen. At least we see something positive in the fact that there is no longer a "common pool." How much are you going to turn out on antiquated equipment, in the absence of real prospects for production modernization? In order to somehow make ends meet, the association refused last year to dispatch production output without prepayment. But you cannot go on very long without a sales market.

It would be easier, of course, if we were to discard the burden of maintaining the social infrastructure on our balance sheets. It is tempting, but no local budget can manage such a burden. We can only be amazed at how Karaganda miners were somehow able not only to keep themselves afloat during these dark years, but to maintain the social sphere as well. We are talking about 8,047 residential buildings, dozens of kilometers of roads, waterworks, heat and sewage networks, electric power lines, medical and sanitation units, palaces of culture, kindergartens, and pioneer camps.

Since 1992, in contrast to its colleagues in other republics of the former USSR, the Karagandaugol association has been working without state subsidies to effect reproduction of production capacities and technical retooling. Although, of course, coal production receives appreciable support in the developed countries we fairly often like to cite as models of the market

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economy. Graphic examples can be seen in the case of Belgium, Great Britain, and the FRG.

We can agree that the underground extraction of coal is significantly more expensive than the open method. But does this mean we have to curtail its volumes?

According to scientific calculations, the requirement for underground extraction amounts to something on the order of 32 million tonnes of coal a year prior to the year 2005. In this regard, there are sufficient consumers within Kazakhstan itself as well as outside the republic. Rejection of Karaganda coal would result in additional, quite significant financial losses. Switching to a different fuel will cause thermal electric power plants to lose 30 percent of their warm-water conductance. In a year or year-and-a-half, their boilers will go out of commission entirely due to the high-ash content of other coals.

In the opinion of Professor Ravil Kholzhayev, the well-known Karaganda scientist and doctor of economic sciences, indirect financing (tax advantages) should be instituted as an effective way of providing state support to the coal industry. Over the period of time efforts are underway to render "therapy" to our mines and support the social sphere, it would be advisable to develop a republic program of finance, credit, and tax mechanisms aimed at providing incentives for enhancing the competitiveness of the underground method of extraction of Kazakhstan's coal.

I will not venture to state the exact number of miners' strikes that have shaken Kazakhstan since the summer of 1989. I can say with precision, however, that these have not resulted in any real movement forward or resolved especially painful issues. Yes, in the frenzy of events the capital forked over some money for wages to striking miners, which soothed the situation somewhat. But no more. The disease is progressing, and today we require surgery. Otherwise, it may already be too late.

Turkmenistan

Foreign Ministry Details Pipeline Deal With Iran

LD0507214795 Moscow ITAR-TASS World Service in Russian 1125 GMT 5 Jul 95

[By ITAR-TASS correspondent Anna Kurbanova]

[FBIS Translated Text] Ashgabat, 5 Jul — Turkmen gas is to be sent to Iran through a pipeline the Iranian side has agreed to design and build. An agreement to construct a gas pipeline between Korpedzhe in Turkmenistan and Kord Kuy in Iran was the main document signed during yesterday's one-day visit by Turkmen President Saparmurad Niyazov to the Islamic Republic of Iran, it was stated at a briefing held at the Turkmen Foreign Ministry today.

According to the protocol of the talks, signed by Niyazov and Iranian President Hashemi-Rafsanjani, Iran will put up 80 percent of the finance for the construction of the pipeline, including the cost of providing the infrastructure for the Turkmen deposit at Korpedzhe. The Iranian side also agreed to carry out all the construction work on the pipeline.

In turn, Turkmenistan undertook to pay for the cost of the pipeline in natural gas, which will be sent to Iranian territory free of charge for three years after the construction is complete. The estimated capacity of the future pipeline is up to 8 billion cubic meters of gas per year. It is planned to begin construction this year and to finish by the end of 1997.

The presidents of the two neighboring states stressed in the protocol that the construction of this pipeline was not an alternative to or a substitute for the project currently in preparation to build a major "Turkmenistan-Iran-Turkey-Europe" gas pipeline. That pipeline would extend for over 1,400 km up to the Turkish border and have a capacity of up to 30 billion cubic meters.

Germany Seeks To Increase Investment in Economy

LD0507221695 Ashgabat TURKMEN PRESS in Russian 0555 GMT 3 Jul 95

[Unattributed article: "Germany Intends To Increase Investment in the Economy of Turkmenistan"]

[FBIS Translated Text] A regular meeting between business circles of Turkmenistan and Germany has ended with new aspects of bilateral cooperation being defined. The discussion of concrete projects took place at a seminar held last week designed to boost trade and economic contacts between the two countries. Representatives of 17 large German companies and financial organizations held negotiations at a number of Turkmen ministries on cooperation in the textile industry, grain processing, bakeries, and transport services.

These spheres of the Turkmen economy, which have undergone priority development, are the ones that need foreign investment today. The projects proposed by the German businessmen envisage not only the delivery of new equipment to the textile industry but also modernization of the existing technology. According to specialists, this approach takes the financial potential of the country's textile enterprises into account in a manner suitable to the present day.

Mill complexes and bakeries of various capacities were offered at the request of the agro-industrial complex, which is oriented towards complete self-sufficiency in grain for the state. The company Unionmateks, which

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won a tender to build mill complexes, is already cooperating with Turkmenistan in this area. There are a number of proposals aimed at developing Turkmenistan's transport system, including sea, rail and air transport.

On the one hand, the seminar which was held was a continuation of a dialogue whose main trends were mapped out during the visits by German Government delegations to Ashgabat in December last year and March this year. On the other hand, it is a preparation for the next meeting at government level. It is planned that the German economy minister will visit Ashgabat in August. During this visit it is planned to sign bilateral agreements on mutual investment protection, the elimination of dual taxation, and trade and economic cooperation.

Turkmen-German cooperation began in the earliest years of Turkmenistan's independence. Today there are 10 German firms operating here, some of them as joint ventures engaged in manufacturing. The construction of 17 sites worth a total of $180 million is taking place with assistance from German companies. Business contacts in the area of agricultural processing have been set up with the firms Unionmateks, Nebeso, and Aritron, with Daimler-Benz in the transport sphere, and with Alcatel in telecommunications. Last year trade turnover between the two countries amounted to 207 million German marks. Germany supplied Turkmenistan with foodstuffs, chemical products, textiles, footwear, and various kinds of equipment and technology. In turn, mineral raw materials, products of the textile industry, raw hides and other goods were exported to Germany.

During five months of the current year trade turnover reached $26 million, and the trend is an upward one. German banks have been actively cooperating with Turkmenistan on the opening of credit lines. Their credits are directed toward investment and are intended to buy equipment and agricultural machinery and to construct industrial sites. In particular, Germany's largest bank, Deutsche Bank opened a 40 million mark credit line to fund deliveries of agricultural equipment. Turkmenistan's Bank for Foreign Economic Activity and the German state bank KFB [as received; possibly KFW — Kreditanstalt fuer Wiederaufbau] have signed an outline credit agreement for 100 million marks.

According to the Foreign Economic Relations Minister Chary Kuliev, quite a few possibilities have opened up today for expanding mutually beneficial ties based on equal partnership. A Turkmen government proposal to Germany to take part in implementing more than 80 projects included in the priority areas for foreign investment is aimed at achieving this.

Cooperation projects in the oil and gas industries are giving rise to great interest among German businessmen. They are showing particular interest in developing long-term cooperation as regards the project for a gas pipeline to Europe and the possibility of importing gas. The companies Mannesmann, Lurgi and Deutag [this name as transliterated] intend to take part in developing new oil and gas deposits and in hydrocarbons processing. The German businessmen's proposals also include constructing a large polyethylene complex in Seidi and modernizing oil refineries.

According to German officials, business circles in this country assign great importance to cooperation with Turkmenistan, and they regard it as a country with rich potential. They consider that the open doors policy and Turkmenistan's legislative basis, which encourages foreign investment and guarantees its protection, will help make this cooperation a reality.

Uzbekistan

Karimov Rejects Stronger State Economic Role

LD0407210995 Tashkent Uzbekistan Television in Uzbek 1600 GMT 4 Jul 95

[FBIS Translated Excerpt] A regular meeting of the inter-departmental council for economic reform, enterprise, and foreign investments under the President of the Republic of Uzbekistan took place today. The meeting was chaired by President of the Republic of Uzbekistan Islam Karimov.

[Unidentified correspondent] [passage omitted] President of Uzbekistan Islam Karimov opened the meeting with a brief speech, and proposed above all to consider the issue of introducing changes to the council's composition. People who might contribute to the common work, given their positions and specialities, were elected members of the council to replace people who have changed posts. The new members are famous economists of the republic, representatives of business circles, and it is especially pleasing that among them there are foreign businessmen. [passage omitted] The strengthening of our national currency is an important matter of significance to the whole state and nation, and it will define our future.

[Begin Karimov recording] Wait a little longer. If you have much cash money in your hands, then prices at markets will grow similarly, and even more rapidly. Thus I try to explain it, and I am ready to give up my life to explain this. I am not an enemy. Why I do these things? The fact is that these days one can easily go and change the Uzbek som, the national som, into dollars, so at what expense do you think this is taking

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place? If we have much cash money, would we be able easily to change it into freely convertible currency? [end recording]

[Correspondent] [passage omitted] The President of Uzbekistan proposed to submit to the Supreme Assembly session for consideration a special law to stimulate small business and enterprise. Participants in the meeting proposed the idea of the need to strengthen the state's role in the development of entrepreneurship. Our President's response was as follows:

[Begin Karimov recording] It is necessary completely to eliminate the state's influence. The state should absolutely not interfere in the economy. The state should regulate it only through the law, taxes and through preferential terms. [end recording]

[Correspondent] The president of the republic also proposed the denationalization of the fund for small and medium-sized business support. A nation-wide program is necessary for this. [passage omitted]

Karimov on Land Reform, Other Economic Issues

LD0507195295 Moscow INTERFAX in English 1602 GMT 5 Jul 95

[From the "Presidential Bulletin" feature; compiled by Nikolay Zherebtsov, Andrey Petrovskiy; edited by Vladimir Shishlin]

[FBIS Transcribed Text] President Islam Karimov in a speech to the coordinating council for economic reforms in Tashkent on Tuesday [4 July] said he was opposed to private ownership of the land.

Deregulation and privatization in the countryside, creation of small-size businesses and the country's export trade were high on the agenda of the council meeting.

Karimov said crucial changes to the farming sector was the main task of the current stage of economic reforms and called for lower production costs and creation of new industrial plants in rural areas.

He spoke of the need to set up about 100,000 small businesses to provide jobs to the army of unemployed expected to number an estimated two million by the year 2,000. These will specialize in the processing and shipment of farm products.

IF [INTRFAX] Note: By now, Uzbekistan has more than 65,000 private farms. The government allocated 1.5 billion soums ($50 million) worth of financial aid in support of private and small-size business in the farming sector.

Karimov said each region had its own specifics warning about dire implications from land transactions in Central Asia where irrigated land and water is in scant supply.

He does not rule out that the national currency can be made convertible by the end of 1995 as part of the government's financial and crediting policy aimed to curb inflation by 2 to 3 percent before the year is out. Karimov pledged to continue tighter monetary policy.

On foreign trade, the president said the government would pursue a policy of setting up export-oriented businesses together with foreign investors.

It was also decided that the council would now include representatives of foreign banks and companies.

President Karimov Says Most Farmers Redundant

LD0507222095 Tashkent Uzbekistan Television in Russian 1430 GMT 5 Jul 95

[FBIS Translated Excerpt] As we have already reported, a meeting of the interdepartmental council for economic reform, enterprise, and foreign investments under the president of the Republic of Uzbekistan took place yesterday. [passage omitted]

[Unidentified correspondent] The inter-departmental council's meeting analyzed the situation in this sphere of market relations. The process of forming a diversified economy and creating small and private enterprises in the countryside is an important one. Small production units resolve the acute problem of providing rural people with jobs.

It is calculated that more than three million of the able-bodied population are employed in the countryside. Agriculture itself cannot provide work for this number of people, and in consequence high-efficiency industrial methods of agricultural production are being introduced extremely slowly. The effect of this is low production and productivity levels.

In areas where there is a surplus of labor resources there is thus a need to set up small, private, mobile enterprises capable of reacting rapidly to the demands of the domestic market. All the preconditions for this exist: a clear-cut legal basis, a system of tax benefits, and a 60 million dollar credit line from the European Bank for Reconstruction and Development. Nevertheless, the formation of a diversified economy in the countryside is only in its initial phase, and is not being developed as it should.

Speaking at the meeting, President Islam Karimov of Uzbekistan cited the following facts:

[Begin Karimov recording] I arrive in Andizhan and meet a peasant, a team-leader, and I ask him how much

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land he has. He says 50 hectares. How many people do you have? A hundred and ten. So tell me, what is the optimum number of people you need to cultivate these 50 hectares and gather the same harvest and get the same volume of production from them? He thought for a while and said 10 to 12, maximum. Then, I said, in that case, you have 90 superfluous people. Yes, he says.

If we do not find the solution to this issue we will not be able to move ahead. Why? We have 3.6 million people potentially capable of work who are employed in the countryside. We can easily free up 2.2 million people. They are not needed; they are superfluous. Do you understand? I don't like to call them superfluous, but the same harvest could be gathered in without them. Can you imagine 2.2 million people? At one time this figure was three million, but the figures are different now. So we can easily free up 2.2 or 2.5 million people.

Now I am translating the general figures into one specific peasant: if a team has 100 people for 50 hectares where there is only a need for perhaps 10 people, what can this peasant do? [end recording]

[Correspondent] The head of state stressed that there is only one way: Industry must be brought closer to the villages.

The reason why agrarian reforms are coming up against many obstacles and barriers is also connected with the slow process of achieving a breakthrough in people's mentality and in their attitude of dependency. This hinders the transfer of agricultural production to market principles. People need to be infected with the enterprise bug, marketing must be developed, and young people in rural areas should be taught not how to drive a tractor, but how to live and manage under market conditions.

With this aim it is necessary to set up enterprise development centers in which state structures would play a small role and which would accumulate both domestic and foreign capital. It is necessary, too, to undertake other organizational measures and legislative acts which would stimulate the development of small and private businesses in the countryside. The service network for the rural population also needs to be developed.

Participants in the inter-departmental council meeting — foreign experts and the heads of local enterprises and firms — expressed their views and proposals on this matter. Appropriate decisions were taken on the results of the discussion on this matter.

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Armenia

President, Opposition Leader on Election Progress

LD0507195895 Moscow NTV in Russian 1500 GMT 5 Jul 95

[From The 'Segodnya' program; video not available]

[FBIS Translated Text] Parliamentary elections are being held in Armenia today, the first since the collapse of the USSR. From the most varied right up to the most surprising figures are competing for seats in parliament: for example, in one district a people's healer is standing while in another, the chairman of the local council and his personal chauffeur are both standing. A report from Yerevan has details of today's voting.

[Begin President Levon Ter-Petrosyan recording] This event, the first parliamentary elections in an independent Armenian state, is for me, one might say, the completion of the victory of democracy, I am convinced, the final victory of democracy in Armenia. [end recording]

[Correspondent Dmitriy Pisarenko] Refusing to predict the results of the elections, the Armenian president nevertheless re-emphasized the importance of adopting the constitution which is being put to a referendum. It is precisely the issue of the constitution that is the reason for an irreconcilable conflict between the authorities and 10 of the 13 parties and blocs taking part in the elections.

[Begin Vazgen Manukyan, chairman of the National Democratic Union, recording] If this new constitution is adopted, it will prolong the country's decline at the hands of the authoritarian regime. [end recording]

[Pisarenko] The first premier of independent Armenia, Vazgen Manukyan, is considered Levon Ter-Petrosyan's most serious opponent in the presidential elections to be held in a year's time. Talking about the results of the elections to the National Assembly, he noted:

[Begin Manukyan recording] Twenty percent will be falsified but this will not stop a victory because the people's dissatisfaction is very great, 20 percent will not help them. [end recording]

[Pisarenko] The voting is being monitored by 185 international observers including from the CIS countries and the Russian State Duma. The observers will give a number of press conferences tomorrow. The results of the referendum on the constitution will also become known then.

Dmitriy Pisarenko for NTV from Yerevan.

Election Official: Elections, Referendum Valid

LD0507174395 Moscow ITAR-TASS in English 1455 GMT 5 Jul 95

[By Tigran Liloyan]

[FBIS Transcribed Text] YEREVAN, July 5 (ITAR-TASS) — As of 18:00 Moscow time, over 40 per cent of the eligible voters have cast their ballots at some polling stations in today's parliamentary elections in Armenia and referendum on the republic's constitution.

The polls are being held quite smoothly, which allows people to freely express their will, according to Armenia's Central Election Committee deputy chairman.

Speaking at a briefing in parliament, Gagik Dzhangiryan said he was convinced that "the elections and referendum will be valid".

Voting returns are expected to be known at dawn on Thursday, while preliminary results are to be summed up by tomorrow's night, the election official reported.

According to him, some incidents were registered during the elections. Thus, at some polling stations, authorized representatives of certain candidates tampered with the work of other authorized representatives and tried to advertise their candidates. The polls are being supervised by both local and foreign observers.

Under the existing law, the constitutional referendum is to be deemed valid if the turnout exceeds 50 per cent of the eligible voters. As for the parliamentary elections, a candidate is to poll at least 25 per cent of the votes in his constituency to win in the first round. In case all candidates fall short of the required vote, a second round is held where the winner is to poll a simple majority.

Low Turnout Extends Referendum Voting Time

LD0507222595 Moscow ITAR-TASS World Service in Russian 1818 GMT 5 Jul 95

[By Tigran Liloyan]

[FBIS Translated Excerpt] Yerevan, 5 July (ITAR-TASS) — The Central Electoral Commission of Armenia decided today to extend the voting time at the election to the republic's National Assembly and the referendum on the constitution by two hours — until 2200 hours local time.

The Central Electoral Commission says in its resolution that it has received reports that voters are being held up at the polling stations because of the difficulties arising from the election and the referendum taking place simultaneously and delays in preparing ballot papers. It has also become known from unofficial sources that

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despite the population taking an active part in the referendum, the results which would make it valid have not yet been achieved. [passage omitted]

Ruling Republic Bloc Reportedly Wins 85 Seats

NC0607094995 Paris AFP in English 0934 GMT 6 Jul 95

[FBIS Transcribed Text] Yerevan, July 6 (AFP)—The moderate nationalist ruling coalition was re-elected in Armenia's first post-communist elections, and a draft constitution adopted, sources close to the government said Thursday [6 July].

The ruling Republic bloc reaped in some 85 of 150 seats, the sources added.

But the central election committee has not yet given any official results.

Results of Nagorno-Karabakh 30 Jun By-Elections

NC0507134595 Yerevan NOYAN TAPAN in English 1516 GMT 4 Jul 95

[FBIS Transcribed Text] 04/07/95 NOYAN TAPAN — On July 3 Central Electoral Commission of the Republic of Mountainous Karabakh held a session dedicated to returns of the June 30, 1995 by-elections in Karabakh. 72 percent of voters (including Stepanakert No.2 precinct — 64 percent, Stepanakert No. 12 precinct — 74 percent, Hadrut No. 18 precinct — 78 percent, Gyushi No. 23 precinct — 86 percent) participated in by-elections held in 5 precincts of the Republic. According to protocols presented by precinct commissions, the majority of votes were cast for the following candidates: Arthur Sargisyan (chief expert of the Karabakh Supreme Council's Agrarian Commission), Stepanakert No. 2 precinct — 98 percent, Murad Petrosyan (deputy of the Karabakh Supreme Council), Stepanakert No. 6 precinct — 97 percent, Lidia Sargisyan (pensioner, Chairman of Karabakh-Russia Friendship Union) Stepanakert No. 12 precinct — 95 percent, Ohanjanyan Karen (Co-ordinator of the Karabakh Committee "Helsinki Initiative-92"), Hadrut No. 18 precinct — 98.3 percent, Gharibyan Karen (a lawyer), Gyushi No. 23 precinct — 94 percent. Having checked protocols presented by precinct commission, Central Electoral Commission on Elections of People's Deputies unanimously adopted a resolution on registration of the above-mentioned persons as deputies of the Karabakh Parliament.

Central Bank Head Reviews Fiscal Course

954F2686A Yerevan RESPUBLIKA ARMENIYA in Russian 29 Jun 95 p 1

[Report on news conference given by Bagrat Asatryan, chairman of the Central Bank of the Republic of Armenia, by Ashot Aramyan; place and date not given: "Briefing—Far From 'Great Depressions'"]

[FBIS Translated Text] The chairman of the Central Bank of the Republic of Armenia, Bagrat Asatryan, called yesterday's regular monthly meeting with journalists a traditional practice for the purpose of informing the public about the work that has been done by "the youngest state structure" and about the general situation in the republic.

Indicators on the results of the half year that is ending, including preliminary ones, are really both impressive and encouraging. In the first quarter the increase in industrial production totaled 15 percent, and future rates make it possible to speak with confidence about the fact that, according to the half- year results, this indicator will come out at a level of 20-22 percent for Armenia. Inflation in the republic for the first three months amounted to 6 percent, for April—7.1 percent, for May—7.8 percent, and in June it fell to 0.6 percent! Actually the rate of inflation in the Republic of Armenia for six (almost) months was 21.6 percent, and the average monthly indicator—3.5 percent, which is quite acceptable. Considering the recent freeing of bread prices, it can be stated that the government succeeded in balancing and neutralizing its possible negative consequences for the inflation rate.

An important government program on price liberalization was concluded in June—today we are dealing with a completely free market, where prices are formed on the basis of supply and demand. B. Asatryan explained the fluctuation in prices as a seasonal factor in the main. Prices for a number of imported commodities—gasoline, tobacco, coffee, and tea—fell last month by 5-10 percent. The increase in prices for sugar, in addition to the seasonal factor, is also explained by the increase in its price on the world market. In other words, the market situation is basically stable and does not promise any "great" shocks. With respect to the strengthening of the Russian ruble and its influence on the republic's market, M. Asatryan noted that it is unlikely that this will have any serious consequences for us. The fact of the increase in demand for Russian currency has now been recorded on Armenian exchanges, which the chairman of the Central Bank of the Republic of Armenia regards far from unambiguously. Such a situation under current conditions is lucrative for the republic's exporters, but, in Mr. Asatryan's words, they are not entirely taking advantage of the situation that has developed. As for our importers, by bringing commodities into the republic they are losing 10-15 percent in resources.

Of the decisions of the board of the Central Bank of the Republic of Armenia for the last month, the chairman

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singled out the one concerning authorizing banks, their branches and departments, and also exchange centers to conduct the purchase and sale of privatization certificated (vouchers). "I think that this will have a positive effect on the process of forming a securities market in the Republic of Armenia," B. Asatryan said.

Now regarding work with international financial organizations. First, our republic recently received the last part ($13.5 million) of last year's rehabilitation credit (the overall sum is $60-62 million), even ahead of schedule—it was supposed to be received in the second half of the year. Second, work has been concluded on the receipt of "standby" credit from the IMF in support of the national currency, which was supposed to have been approved by the fund yesterday (taking the difference in times into account). "This credit is not large in itself, but it is rated very highly in status, inasmuch as it generates broad financial investments from other international donors," the Central Bank chief said.

Meanwhile, an expanded IMF delegation concluded two weeks of work in Armenia last week, and wrote the most extensive recommendation document in the history of the fund on its results.

Today, according to B. Asatryan, the reserves of the Central Bank of Armenia amount to $64 million, or approximately 25 billion drams.

The chairman of the Central Bank noted with enthusiasm the "invasion" of England's very large Midland Bank into our market. It is no secret that to date the flow of private investments into the republic has been held back precisely by the absence in our republic of banks and structures that operate according to international standards.

To a question of a RESPUBLIKA ARMENIYA correspondent regarding the 1,000 dram denomination notes from which the "spiral"—one of the most important means of protection from forgery—was removed by criminal plotters, B. Asatryan replied that such notes are not forgeries in themselves, but are spoiled, and as a result are subject to withdrawal from circulation. The well-known statement of the Republic of Armenia Central Bank on this fact should be interpreted as follows: It is possible that given an increase in cases of removal of "spirals" from the 1,000 dram notes, the criminal plotters will actually now be tempted to forge the remaining notes without the important protection. On the other hand, the previously established case of the manufacture of notes of a 500 dram denomination even delights the chairman of the Central Bank of the Republic of Armenia in a certain sense: Only that which is actually valuable and has a real and stable cost is being forged....

Azerbaijan

Aliyev Receives Saudi Arabian Delegation

NC0507180595 Baku Azerbaycan Radio Televiziyasi Television Network in Azeri 1600 GMT 5 Jul 95

[FBIS Translated Text] Soon an Azerbaijani Embassy will open formally in Saudi Arabia and a Saudi Embassy will open in our republic. This was announced during President Geydar Aliyev's meeting with representatives from Saudi Arabia. Our correspondent Ramiz Meshedihesenli reports:

[Begin Meshedihesenli recording] At the start of the meeting Ibrahim al-Gharrashi, the head of the delegation and deputy foreign minister, conveyed King Fahd Bin-'Abd-al-'Aziz al Sa'ud's greetings to President Geydar Aliyev and thanked our head of state for sparing time to receive them. There was a broad exchange of views on the development of cooperation during the meetings with Prime Minister Fuad Guliyev, the foreign minister, and other government officials today.

Recalling his visit to holy Mecca, Medinah, and al-Ka'bah a year ago, Aliyev said it was a historic event in his life. Considering the businesslike talks with the Saudi Arabian leaders as the foundation for cooperation, Aliyev stressed that the means and conditions exist for developing relations.

The embassies of the two countries will soon formally open in the two capitals. The two heads of state have already made decisions in this regard.

Aliyev said he was confident that economic, political, cultural, and friendly bilateral ties will develop and added that the results of the current meeting will give a new direction to the development of ties. Our head of state then asked the delegation to convey his sincere greetings to the Saudi king.

A broad exchange of views was also held on problems relating to bilateral cooperation. [end recording]

President Aliyev Receives Moldovan Delegation

NC0507182595 Baku Azerbaycan Radio Televiziyasi Television Network in Azeri 1600 GMT 5 Jul 95

[FBIS Translated Text] Here is an item from AZERTAC. Azerbaijani President Geydar Aliyev today received Moldovan First Deputy Prime Minister Cunev and (Nikolay Chernin), head of the Moldovan State Committee on Fuel. Issues relating to broadening economic ties were discussed. Prime Minister Fuad Guliyev and First Deputy Prime Minister Abbas Abbasov attended the meeting.

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Demonstration Protests Iran's 'Violation' of Azeris' Rights

NC0507162095 Baku TURAN in English 1111 GMT 5 Jul 95

[FBIS Transcribed Text] Baku /05.07.95/ TURAN — Today at 12.00 o'clock there was the picket organised by the National Emancipation Party in front of the Consulate of the Iran Islam Republic in Baku.

"We protest against violation of political and civil rights of Azeris living in Iran. We demand giving cultural autonomy to the Azerbaijanis in Iran", Deputy Chairman of National Emancipation party, Fuad Guliyev, told TURAN's correspondent.

Gathering in front of the building of the Consulate the picket participants raised the slogans: "Enemies of Azerbaijan — Friends of Iran"; "Iran speaks about Muslim unification, but helps Armenia"; "We protest against violation of rights of Azeris in Iran".

People gathered in front of the building of Consulate said that 150,000 Armenians in Iran have more rights than 20 million Azeris. "This is the results of Tehran's state policy, which always coincided with Russia's interests", one women told TURAN's correspondent. "The only way out of this situation can be unification of Southern and Northern Azerbaijans. The Irani authorities proved that they are the enemies of the Azeri nation and they will always try to annihilate us by help of Armenia and Russia", another picket participant said.

The picket participants handed the protest of the National Emancipation party due to the events in Iran to the employees of the Irani Embassy in Baku. The employees of the Embassy said that on July 6 at 17.00 temporary Charge d'Affaires of Iran to Azerbaijan will receive the picket participants.

"There are no national rights violations in Iran, there is only one Islam nation in Iran. We do not want to study Turkish, we like Farsi", that is the attitude of the employees of the Consulate towards the picket.

APF Policy of Unity With Iranian Azerbaijan Said Disastrous

NC0507143195 Baku TURAN in English 0606 GMT 5 Jul 95

["New Policy of the APF Can Bring About Disastrous Effects for Azerbaijan, Social-Democrat Zardusht Alizade Believes"—TURAN headline]

[FBIS Transcribed Text] Baku (July 3) TURAN — "The fact that the APF [Azerbaijan People's Front] announced the struggle for the unification of the Southern [Iranian] and Northern Azerbaijan can become one more tragic page in the history of the Azeri people," TURAN was told by one of the leaders of the Social Democratic Party of Azerbaijan (ASDP), Editor-in-Chief of "ISTIGLAL" [INDEPENDENCE] newspaper Zardusht Alizade. According to him, it is noteworthy that nothing was said about the problem of Nagorno-Karabakh due to which that organisation had appeared in the video-appeal by Abulfaz Elchibey to the participants of the III Congress of the APF taking place on June 24-25. The main part of his address was about the mythic revolution in the Southern Azerbaijan and the necessity to pass to Latin alphabet.

"Support of the people's strike in the southern Azerbaijan can bring about more disastrous effects than tragic events of January 20.

"If there is any disorder we will have million refugees from the South, and I am sure that this time again, just like in January, 1990, APF will be on the side and will blame everybody, except itself."

Alizade noted that after the official announcement about the support "of liberation movement in the Southern Azerbaijan" APF have to bear responsibility for possible consequences of its policy.

Iran Allegedly Training Armenian Military Specialists

NC0507143395 Baku TURAN in English 0606 GMT 5 Jul 95

["Does Iran Prepare Military Specialists for Armenia?"—TURAN headline]

[FBIS Transcribed Text] Baku (July 3) TURAN — The military specialists for Armenian Armed Troops are prepared at the firing ground near Iranian city of Marand, military sources reported. In June 1994 60 artillerists, who had been trained there, reinforced the ranks of the Armenian army and part of them were sent to Karabakh.

It is this ground where the commandoes for the terrorist organisations of the countries of the Near East are prepared. This firing grounds does not belong to the military administration of Iran and it gives Tehran the reason to deny existence of such object on its territory. Financing of training of Armenian military specialists is conducted at the expense of the Armenian Diaspora of Iran, inform the same sources.

At the same time, the Embassy of Iran strongly objects to this information. "The West is interested in distribution of such misinformation, since it has to attract Azerbaijan's attention away from that the U.S. Congress refused to annul 907 Amendment to 'Freedom Support

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Act'. As is known, this amendment does not let to provide governmental assistance to Azerbaijan."

Economic Stabilization Plan Results Noted

954F2689A Baku GUNAY in Russian 27 Jun 95 p 2

[Unattributed report: "Economic Stabilization Measures Developed"]

[FBIS Translated Text] At the direction of Azerbaijan's President Geydar Aliyev, the Ministry of Economics has drawn up and submitted for examination by the Cabinet of Ministers proposals on measures to stabilize industrial production. Reporting in this regard, Oktay Akhverdiyev, director of the composite Directorate for Macroeconomic and Structural Policy of the Ministry of Economics, noted that the volume of gross domestic product decreased by 57 percent over the period 1990-1994, industrial production—64 percent, agricultural production—35 percent, commodity turnover—86 percent, and income from paid services to the populace—94 percent.

As a result of the purposeful measures adopted over the past six months, we have managed to stabilize the republic's financial situation. The rate of inflation has dropped from 55 percent in December 1994 to 4 percent in May 1995. The National Bank of Azerbaijan has established solid currency reserves, and the exchange rate of the manat has stabilized. We have seen a sharp decrease in the emission of cash and ledger money, and the problem of enterprise nonpayments is being resolved.

Proposals drawn up by the Ministry of Economics are entirely specific in nature and encompass virtually all the main sectors of industry. According to Ministry of Economics estimates, implementation of the proposals presented will require us to locate investments and allocate to enterprises 10 billion manat and $64.5 million prior to the end of the current year. But 605 billion manat and $128.5 million is needed to restore working capital, including for equipment purchases, packaging, and auxiliary materials for the processing industry, totalling more than 400 billion manat and about $50 million.

In addition, Ministry of Economics proposals specifically envisage the temporary shut-down of certain enterprises, whose production output elicits no demand due to extremely poor quality and excessively high cost.

These and other stabilization measures pursue the objective of yielding a quick return and providing monetary reimbursement to the treasury over the course of one or two years.

Officials Meet on Privatization Progress

954F2687A Baku GUNAY in Russian 27 Jun 95 p 1

[Article by Aynur Bashirli: "Privatization Must Bring Real Benefit to Every Citizen"]

[FBIS Translated Text] Last Saturday, Azerbaijan Republic President Geydar Aliyev conducted a conference on the draft privatization program. Following discussion and approval of the program, conference participants presented it to the Milli Mejlis for its examination.

In his speech opening the session, President Geydar Aliyev evaluated the privatization program as an important integral component of economic reforms and emphasized the urgent need to effect its implementation. He stated specifically that rigorous efforts were underway in the privatization program. In May a republic delegation presented the program for examination to representatives of the World Bank and International Monetary Fund in Paris and conferred with them.

Deputy Prime Minister Tofig Azizov, chairman of the state commission, spoke regarding the principle according to which privatization would be effected.

"Privatization in the republic will take place according to the share principle. All citizens of Azerbaijan will receive their free share, their portion. In this manner, citizens will become the proprietors of a portion of republic assets. Some 7,400,000 out of 8 million privatization shares will be distributed among the populace. The remaining portion of shares will fall to the families of martyrs, war veterans, and invalids."

Tofig Azizov also noted that many provisions of the privatization program did not conform to the Law on Privatization adopted by the Milli Mejlis, and that appropriate corrections should therefore be introduced.

As to whether or not privatization will extricate the republic from its severe economic crisis, Rafig Guliyev, chairman of the State Committee on Antimonopoly Policy and Assistance to Entrepreneurial Activity, stated:

"In effecting privatization, we are only changing the form of ownership. In order for this to reap benefits, reform must take place in the state management structures. A program of economic development must be elaborated, a mechanism for competition instituted, and the essence of the privatization program must be explained to the populace."

The opinion of Vakhid Akhundov, state adviser on economic policy matters, is as follows:

"The privatization program is not an ideal document. In searching for the ideal, however, we lose precious time. We cannot afford to do this."

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Summarizing the results of the conference, President Geydar Aliyev stated that a major interpretive effort should be conducted among the populace. To this end he directed Tofig Azizov and Vakhid Akhundov to form a group of competent economists. President Aliyev stated:

"The privatization program affects the interests of all the people. Every citizen must derive benefit from this effort of tremendous significance, must have a concept as to his share, how he can use it, how he can participate in privatization, and how he can take his place in the private sector. This is important for the observance of citizens' rights, for the principle of social justice, and for the broad participation of all inhabitants of the republic in realization of the privatization program."

Jan-Apr Foreign Trade Activity Tabulated

954F2689C Baku GUNAY in Russian 27 Jun 95 p 2

[Unattributed report: "Azerbaijan's Partners in Export and Import Trade"]

[FBIS Translated Text] The results of export and import operations between Azerbaijan and countries of the near and far abroad during January-April of this year have been tabulated.

As was the case for the preceding period, Azerbaijan's main partner is the Russian Federation. Imports to the republic from the Russian Federation totalled $12.5142 million, exports—$12.6688 million. Kazakhstan holds second place with respect to Azerbaijan's export-import operations, imports amounting to $5.6042 million, and exports—$3.8622 million. The republic's third main partner is Turkmenistan, imports totalling $43.4034 million, and exports— $2.2433 million.

In addition to the above-mentioned partners, Azerbaijan maintains basic trade relations with the following CIS countries: Ukraine, Belarus, Uzbekistan, Moldova, Georgia, Kyrgyzstan, and Tajikistan. Here imports to the republic overall totalled $7.3964 million, exports—$47.7995 million, including re-exports valued at $3.1066 million.

Iran, Turkey, Germany, and the United Arab Emirates comprise the countries of the far abroad with which Azerbaijan maintains its closest trade and economic relations.

Imports from Iran amounted to $33.8182 million, exports to Iran— $71.9252 million. Imports from Turkey totalled $30.3996 million, exports—$2.4802 million. Imports from Germany: $13.3423 million, exports—$357,400. Imports from the United Arab Emirates—$6.6522 million, exports—$970,900.

On the whole, the volume of export-import operations with countries of the far abroad amounted to $113.8425 million in imports, $82.734 million in exports, and $5.4938 million in re-exports.

Caspian Oil Field Development Plans Noted

954F2687B Baku GUNAY in Russian 27 Jun 95 p 1

[Unattributed article: "Phases of Oil Field Development"]

[FBIS Translated Text] The program for development of the deep-water portion of the Gyuneshli, Azeri, and Chirag oil fields, situated approximately 192 kilometers southwest of the Absheron Peninsula at a sea depth of 150-240 meters, consists of three phases. It was learned from SOCAR [State Oil Company of Azerbaijan] that the first phase envisages conduct of a threefold seismic survey of oil reservoirs and testing of the Kaspmorneft drilling rig, which will be used to drill three wells in 1996. AIOC [Azerbaijan International Operating Company] experts will conduct a technical evaluation of the condition of the oil field platform Chirag-1.

The second phase will entail the reoutfitting of ships to transport equipment and platform structures, and construction of the supply base and contractor's working settlement near the Shelfproyektstroy wharf. By 1991, the extraction of "early oil" from these oil fields may amount to over 80,000 barrels a day, the greatest portion of which will be exported.

Full-scale development of the oil fields will require investments in the amount of $8 billion and presumably an additional $2 billion for construction of an export pipeline. After this is completed, oil production by the year 2010 should reach almost 700,000 barrels a day.

Agricultural Sector Performance Criticized

954F2689B Baku GUNAY in Russian 27 Jun 95 p 2

[Unattributed report: "Unsatisfactory Situation in Agriculture"]

[FBIS Translated Text] The Azerbaijan State Committee for Statistics reports that volumes of potatoes, vegetables, tobacco, and fodder crops sown during January-May of this year lag significantly behind the volumes sown during the same period last year. As of 5 June of this year, 354,600 hectares of spring crops had been sown, reflecting plan fulfillment of 94 percent. A very strong lag in the sowing of spring crops is being observed in Gyadabeyskiy, Khanlarskiy, Samukhskiy, Lyankyaranskiy, Agstafinskiy, Tovuzskiy, and Absheronskiy Rayons. In six out of 12 rayons engaged in sowing rice, the volume of work accomplished was lower than the planning figure.

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Of the rayons specializing in the growing of tobacco, only Ismaillinskiy Rayon accomplished the crop sowing plan. In the remainder—in the Nakhchyvan Autonomous Republic, in Lerikskiy, Yardymlinskiy, Masallinskiy, Dzhalilabadskiy, Gakhskiy, Gabalinskiy, and Shekinskiy Rayons—the rate of sowing was significantly lower than the planning figure.

The situation with respect to garden cultivation and winegrowing is unsatisfactory. Accomplished work volume in these areas was significantly less than during the same period of last year.

This year we expect to obtain a grain crop from 604,400 hectares of arable land in the republic. As of 5 June, 39,200 tonnes of grain was harvested from 21,700 hectares of land, i.e., 18 quintals per hectare.

We were unable to turn the situation around in livestock production. As a result of reduced numbers of livestock and fowl over January-May 1995, meat production decreased 26 percent from last year's level, milk production decreased 30 percent, eggs—47 percent. The average milk yield per cow was 334 kilograms.

The fodder stockpiling campaign in the republic is presently in full swing. As of the beginning of June, 358,300 tonnes of fodder had been stockpiled—approximately the same amount as was the case for the same period last year. Since the outset of the season, a total of 142,200 tonnes of fodders have been stockpiled (including 46,000 tonnes of silage), i.e., 2 percent more than the amount for the same period of last year.

We presently face a difficult situation as far as preparation of agricultural equipment is concerned. Some 12-17 percent of the tractors, trucks, grain-harvesting combines, and tractor-trailers were in a state of disrepair, as were 20 percent of the haymowers.

Some 6,000 tonnes (live weight) of beef and poultry were procured over the January-May 1995 period, 22,600 tonnes of milk and dairy products, and 8.2 million eggs. The volume of stockpiled livestock output fell to half its volume for the same period of last year. At the same time, the quantity of meat procured was 59 percent greater than last year's amount.

Ministry Tabulates Jan-May Crime Figures

954F2687C Baku GUNAY in Russian 27 Jun 95 p 1

[Unattributed article: "The Azerbaijan Ministry of Internal Affairs Reports"]

[FBIS Translated Text] According to Azerbaijan's Ministry of Internal Affairs, 7,530 crimes were registered in the republic over a five-month (January-May) period of this year. This is 13.6 percent greater than for the same period last year.

More than 20 percent of the crimes were grave or aggravated crimes. Eight out of every 10 were committed in cities.

The number of economic crimes registered rose by 54.9 percent.

Firearms were used in 173 of the recorded instances, knives or other metal objects were used in 284.

Of 11,000 crimes for which investigations were initiated, 51.9 percent were solved, while 1,023 crimes have gone unsolved. Of 2,622 criminals under investigation, 1,723 have yet to be held criminally liable. Of 499 individuals who vanished, identity was ascertained for only one out of four.

The number of group crimes increased by 36 percent, number of legal violations committed by persons with prior convictions—by 22.4 percent, and number of crimes committed by juveniles or with juvenile participation—by 15.7 percent.

Law enforcement organs located 5,856 individuals accused of committing crimes. One out of eight had a prior conviction, 384 were teenagers, and 300 were women.

Of the individuals arrested, 4,837 were held criminally liable.

Georgia

Criticism of Draft Constitution Surveyed

954F2631B Moscow SEGODNYA in Russian 15 Jun 95 p 8

[Report by Revaz Sakevarishvili, under the rubric "Lawmaking": "Georgia Discusses 13th Draft of the Fundamental Law: Constitution Presented by Shevardnadze Is Criticized by Some Parties and Movements"]

[FBIS Translated Text] Two years behind schedule, Georgia's State Constitution Commission has presented a draft of the constitution for parliament's consideration. According to a statement by commission members, over the three years of work they received 13 drafts from different political parties, youth movements, one commercial bank, and two physical persons. The 13th draft was written under the guidance of Mr. Shevardnadze and is considered the main one. The head of state personally submitted it for consideration. If the Constitutional Commission and parliament approve Mr. Shevardnadze's draft, by form of government Georgia will be a presidential republic, and by the form of the state system — an asymmetrical federative state. It will have

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a two-chamber parliament. Legislative activities will be the responsibility of the lower house — the Council of the Republic, which is elected for a term of four years on the basis of both majority-based and proportional representation. Any citizen who by election day has reached the age of 23 can be elected a deputy. A political association that receives less than 5 percent of the vote in the elections conducted by the proportional system will not get a deputy seat. The upper house — the Senate — is elected for a term of six years. Representatives of organs of local self-government are elected senators. Abkhazia and Ajaria elect four senators each, Tskhinvali Oblast — three. In addition, Abkhazia, Ajaria, and Tbilisi will be represented in the Senate by four more senators. Any citizen of Georgia who has reached the age of 30 and has lived in the region from which he is elected for the past five years can be elected a senator. Both chambers of the parliament elect a chairman, deputy chairman, and secretary.

The republic president, who is the head of state, is elected for five years on the basis of direct elections. He must gather an absolute majority of the vote. The contender for the highest post must have lived in Georgia for at least 15 years and be at least 35 years of age. The same person may not be elected president for more than two consecutive terms; at the same time, the head of state must not be a member of any political party. The president appoints the prime minister, who is then confirmed by the Council of the Republic. The president has the right to dismiss both the prime minister and the entire cabinet of ministers. In addition, the head of state appoints the governors, heads of district administrations, and city mayors, and by agreement with the Senate disbands local representative organs. The president is the commander in chief of the armed forces.

The constitution envisages a new judiciary structure — the Constitutional Court. Until now Georgia has not had such a structure. Abkhazia, Ajaria, and the self-governed Tskhinvali Oblast and krays, which are not specifically identified in this draft, comprise the components of the Georgian Federative Republic.

In the opinion of observers, the process of adopting the constitution will be protracted, since a score of political forces want to make serious changes. For instance, the Republican Party of Georgia believes that all that is acceptable in this draft is the chapter on human rights; the Union of Young Jurists maintains that the constitution will legitimize "irresponsible presidential dictatorship," and therefore cannot be adopted in this form.

Abkhaz Separatists Seek To Establish Links Abroad

LD0507184595 Tbilisi CONTACT INFORMATION AGENCY in Russian 1345 GMT 5 Jul 95

[FBIS Translated Text] Abkhazia — It has become known through reliable sources that the leadership of the Abkhaz separatists is actively working to establish contacts with foreign countries. For the second year unofficial missions of Abkhazia have been operating in Turkey, Britain, the United States, Germany, Benelux countries, France, and others. In most cases these contacts were established with the assistance of the Abkhaz and north Caucasus diasporas operating abroad.

Abkhaz Parliament Condemns Russian Interference

LD0507154395 Tbilisi CONTACT INFORMATION AGENCY in Russian 1345 GMT 5 Jul 95

[FBIS Translated Text] Tbilisi [dateline as received] — Today the supreme soviet of the Abkhaz Autonomous Republic issued a statement sharply critical of the actions of the group of members of the Russian State Duma who are openly interfering in the affairs of the Georgian state, casting doubt on its territorial integrity. The statement stresses that while supposedly favoring a peaceful settlement of the conflict, certain Russian power structures are openly supporting Ardzinba's separatist regime, which is using numerous debates about achieving peace in Abkhazia for a new build-up of forces.

The statement expresses the hope that the Russian Government will resolutely cut short any attempts to encroach on the territorial integrity of the Georgian state, and will definitively determine its position in relation to its long-term aims in the Abkhaz problem.

Fagava on Ajarian Economy, Investment

954F2631A Moscow DELOVOY MIR in Russian 21 Jun 95 p 5

[Interview with Aleksandr Fagava, chairman of the Council of Ministers of the Autonomous Republic of Ajaria, by DELOVOY MIR correspondent Irina Dzhorbenadze; place and date not given: "Our Budget Is Struggling Too"]

[FBIS Translated Text] "The operation of Ajarian industrial enterprises leaves a lot to be desired," says A. Fagava. "We have 13 large plants, but because of power shortages, they are operating at only 10 percent capacity. Besides, the products we traditionally shipped to Russia and Ukraine are sitting in warehouses because the railroad is closed and transportation expenses frequently exceed the product's value. We are thinking

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about reorienting our plants to production for the domestic market."

[Dzhorbenadze] Which enterprise in Ajaria is considered the most profitable?

[Fagava] The leaders are the port of Batumi and the oil refinery. But even the latter is not operating at full capacity because of difficulties in transporting oil by rail. We have refinery orders for customers outside the republic, so this enterprise still makes a profit. The tobacco factory's operation is more or less satisfactory under the current circumstances.

[Dzhorbenadze] Despite the bleak economic picture, people in Ajaria somehow manage to make ends meet.

[Fagava] People—yes, but not the budget. The budget is struggling. The population lives off small business—proximity with the Turkish border and border trade support them financially. But the state, unfortunately, gets no profit from petty trading.

We have an imperfect taxation system, which enables an individual in private enterprise to get rich rather quickly without paying a ruble to the treasury. In addition, the Russian army is stationed in Ajaria, and this keeps 1,500 families employed. Budget-funded organizations and pensioners are not doing well at all. We try to help the indigent any way we can—free gas, kerosene, transportation, electric power, foodstuffs at a discount, and free medical services. But we are still unable to solve the problem of material well-being of our people across-the-board. With the upcoming inflow of capital into the free economic zone, I have no doubt that this problem will be solved.

[Dzhorbenadze] Ideally, Ajaria should become a region made for investment.

[Fagava] Yes, but on condition a solid law protects it. The current legislation resembles more a sieve with small holes. They must be plugged; otherwise, it will not work and will scare off investors. But there are proposals, of course. The question is how lucrative they are for us.

[Dzhorbenadze] Because of the proximity to the border, people probably have managed to earn decent capital. Have they invested it in the developing the local economy?

[Fagava] Not many people have accumulated large amounts of money. Border trade mainly provides for a carefree living. Only a few have achieved great success, but most of them have invested in Russian business. It is believed that there are considerably more opportunities there for capital to grow. They are mostly involved in production, but there are also some people abroad who want to come here. For instance, a Chinese company has become interested in a local garment factory, equipped with Japanese and American technology. The firm brings in semi-finished outwear, to be sewn and sold in European countries. A joint enterprise has been set up with Great Britain and Israel for production of the citrus juice Sun Free. Part of the product stays in the republic, and the rest is exported. A duty-free shop — a joint Ajarian-British-American-Turkish enterprise — has been opened. Some of its stock was transferred free of charge to budget organizations. In short, there is interest in our region, but much of its potential remains unrealized. For instance, a unique tung plant in Kobuleti is idle. It has superior equipment and was known in the former USSR by its high-quality volatile-oil products and production of anticorrosion paint. Its advantage is that it operates solely on local raw materials.

[Dzhorbenadze] Is Ajaria more oriented toward the West than CIS republics?

[Fagava] We are oriented toward any business partner who will consider long-term and mutually profitable cooperation. We are working quite fruitfully with Turkey. But I see cooperation with Russia as most promising. I say this on the basis of my personal experience as a businessman who has worked for some time in the Western market. Russia is a traditional market for the local economy; we have missed many opportunities and prospects in this respect, and we need to overcome this. Karelia and Udmurtia have appeared on Ajaria's business horizon—we have found common business interests. We offer goods — tea, citrus fruit, flowers — as well as port services and a market for distribution of their products. Udmurtia has a tanning plant, tractors, food processing machinery. Karelia has timber, experience in utilizing investment, ties with Finland. In short, if we manage to implement the power generation program, put the free economic zone in full gear, and head for the Russian market, we will get the Ajarian economy into normal working condition rather quickly.

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Latvia

Chinese Parliamentary Delegation Arrives

LD0607100895 Riga Radio Riga Network in Latvian 0900 GMT 6 Jul 95

[FBIS Translated Excerpt] A parliamentary delegation of the People's Republic of China has arrived in Latvia for a four-day visit. During the visit, Chinese representatives will meet deputies of the Saeima and will meet State President Guntis Ulmanis, Prime Minister Maris Gailis, and Foreign Minister Valdis Birkavs. Topical issues of bilateral relations and the possibility of improving and promoting political and economic relations between the two countries will be discussed at the talks. [passage omitted]

4 July Cabinet Meeting Decisions Reported

WS0607081095 Riga LETA in English 1443 GMT 5 Jul 95

[FBIS Transcribed Text] Riga, July 5 LETA — During its meeting on Tuesday, July 4, the Cabinet of Ministers of Latvia accepted changes in Latvia's budget for the this year. The Cabinet proposes to cut the budget by 5.3 percent or 24 million Lats, about 48 million USD . The proposed changes will be sent to the Saeima parliament of Latvia for approval.

The Cabinet agreed that the Ministry of Defense should become the owner of the government's shares in the department store CENTRS which is 25 percent government owned. Dividends are to be used by the Ministry of Defense to aid needy World War I veterans [as received] and to finance the social needs of the Defense Forces.

The Cabinet approved regulations for certification of physicians in Latvia. The Latvia Physicians' Association has been designated as the certifying body.

On financing the national election this fall, the Cabinet agreed that govenment and local government departments and enterprises may not contribute to Party campaign funds. Enterprises in which the government has invested may do so provided they have no debts.

Bauska Bank Ordered To Suspend Activities

WS0607082795 Tallinn BNS in English 2013 GMT 5 Jul 95

[FBIS Transcribed Text] Riga, Jul 5 BNS — The Bank of Latvia (BL) suspended Wednesday [5 July] activities of the joint stock company Bauska Bank and has decided to submit a claim to the Commercial Court on declaring this bank insolvent, BL press center informed BNS.

The Bauska Bank is allowed only to get back the issued credits and renew its authorized registered capital. BL has appointed its authorized representative in the Bauska Bank to follow the implementation of the BL order.

BL found out that the Bauska Bank has violated the law on banks and the BL's issued economic norms wnat resulted in the full loss of the bank's capital and inability to meet its obligations.

In addition, the Bauska Bank also failed to fulfil the bank's recovery plan by the determined term — July 3.

BL Press Secretary Edzus Vejins stressed that, unlike other banks suspended by the BL, claim on the Bauska Bank will not be submitted to the prosecutor's office because it seems that this bank was not "robbed" by its leadership and shareholders. BL holds information that Bauska Bank's conculded deals were unsuccessful and are to blaim for the bank's difficulties.

The licence of the Bauska Bank has not been annulled yet. If the bank manages to renew its authorized registered capital and draw in money until the day the case is considered by the Commerical Court, the BL claim on declaring the Bauska Bank insolvent can be rejected.

BL says that, if the Bauska Bank accumulated the BL's demanded sum, its registered capital would equal 118,000 lats.

Lithuania

Latvian President Ulmanis on 2-Day Visit

Ulmanis Addresses Parliament

WS0607091295 Tallinn BNS in English 1757 GMT 5 Jul 95

[FBIS Transcribed Text] Vilnius, Jul 05, BNS - Cooperation between the Baltic states, their integration into European organizations and relations with Nordic countries dominated Latvian President Guntis Ulmanis' address to the Lithuanian parliament that he made Tuesday [4 July] as part of his two-day visit to Lithuania.

"I am greatly honored to address you here in Lithuania, our neighboring country, the land of our brothers," Ulmanis said in accented but fluent Lithuanian. He then continued his speech in Latvian.

Ulmanis said NATO membership was a "strategic security aim" for all three Baltic countries. Although the European Union offers certain security guarantees, the expansion of both organizations should be considered in a single context, he noted.

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Ulmanis said he saw membership in European and trans-Atlantic organizations as the only reliable security and stability guarantee for Latvia.

He noted that a recent EU summit in Cannes and a meeting between Nordic and Baltic prime ministers in Vilnius stressed the significance of cooperation between Estonia, Latvia and Lithuania. The Baltics should seek an image of unified countries and stress cooperation, not competition, Ulmanis said.

The Latvian leader called for closer cooperation between the three countries in combating crime and illegal migration, controlling airspace and borders.

Ulmanis said coordination of policies with respect to third countries and international organizations was one of the main principles of Baltic cooperation on the international arena.

The Latvian president noted that the Baltics maintain close relations with their Nordic neighbors and expressed hope that the latter will keep their promise to assist Estonia, Latvia and Lithuania on the road to EU membership.

Discussing economic cooperation between the Baltic states, Ulmanis noted that draft agreements on the creation of a customs union and strategic export-import control were presented by Latvia at the latest meeting of Baltic foreign ministers. He stressed that free trade is the basic principle of any customs union and urged quicker agreement on free trade in agriculture.

In conclusion, the Latvian leader congratulated Lithuania on its national team's successful performance in the European men's basketball championship. Most probably referring to the controversial final in which Lithuania lost to Yugoslavia, Ulmanis said he considered Lithuanian basketball players European champions.

President Toasts Visiting Ulmanis

WS0607094195 Tallinn BNS in English 2013 GMT 5 Jul 95

[FBIS Transcribed Text] Vilnius, Jul 05, BNS — Lithuanian and Latvian presidents on Wednesday raised glasses to further development of neighborly relations between their countries.

Speaking at a dinner held in Vilnius in honor of Latvian President Guntis Ulmanis, Lithuanian President Algirdas Brazauskas said he was glad that it didn't take long to lay "the foundations of political and legal cooperation between our states," but also wished both countries "more practical results."

"The situation in the fields of border control, transport, communications, energy, trade and customs must change in essence," Brazauskas said. The Lithuanian leader also stressed that close cooperation between all three Baltic states is a key factor for their integration into the European Union.

Ulmanis is in Lithuania on a two-day official visit.

Seimas Adopts Law on Refugee Status 4 July

LD0507155395 Vilnius Radio Vilnius International Service in Lithuanian 2100 GMT 4 Jul 95

[FBIS Translated Text] The Lithuanian Seimas adopted a law on refugee status in Lithuania on 4 July.

Sweden is the country that was especially anxious that Lithuania should get ready to admit refugees as soon as possible, and it offered consultations and technical and financial support for setting up refugee camps. The Lithuanian and Swedish migration authorities are currently investigating the possibilities for setting up refugee camps in Rukla, Pabrade, or Kybartai.

Now, with the law on refugee status adopted, Lithuania will have no choice but to admit refugees, since the countries of Western Europe and Scandinavian countries, to which refugees most often travel via Lithuania, will be sending them back to Lithuania.

The law describes a refugee as a foreigner who has reasonable grounds to fear persecution in his home country because of race, religion, national origin, social status, or political belief, cannot be efficiently defended in his home country, or has good reasons to be afraid to apply for such defense.

The law also lists the reasons that do not allow a person to be considered a refugee: (?if the person has committed) a nonpolitical crime, if the person threatens Lithuania's security, has contracted a dangerous infectious disease, and some other cases, BNS reports.

Premier Wants Economy Minister To Resign

LD0507170695 Vilnius Radio Vilnius International Service in Lithuanian 2100 GMT 4 Jul 95

[FBIS Translated Text] Prime Minister Adolfas Slezevicius asked Economy Minister Aleksandras Vasiliauskas to resign.

The prime minister told a news conference on 4 July he was not satisfied with the performance of the Economy Ministry and its leader over preparation of the legal basis for many essential areas, such as commercial privatization of state property, development of small and medium-sized businesses, the administration of state property, and so on.

Meanwhile, the RESPUBLIKA daily, quoting the head of the LDLP [Lithuanian Democratic Labor Party]

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parliamentary faction, Gediminas Kirkilas, reported that there would be no search for a new economy minister, since the Economy Ministry itself would be abolished by the end of this summer. There are also rumors in Seimas that the Ministry for Industry and Trade may be reorganized this summer, as well. There are alleged plans for setting up a ministry for dealing with matters of economic integration with Europe and investments.

Speaking at the news conference, Adolfas Slezevicius stressed that there are no structural changes in formation of ministries and departments planned that could be attributed to the process of European integration. Earlier there was established a Commission of European Integration, a Department for European Integration, and other structures.

According to the RESPUBLIKA daily, Economy Minister Aleksandras Vasiliauskas, who is currently on holiday, has already prepared his letter of resignation.

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